

**HOUSING AND REDEVELOPMENT AUTHORITY
CITY OF RAMSEY
ANOKA COUNTY
STATE OF MINNESOTA**

The Housing and Redevelopment Authority conducted a Work Session on Tuesday, January 17, 2012, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Colin McGlone
 Commissioner Randy Backous
 Commissioner David Elvig
 Commissioner Bob Ramsey (via Skype)
 Commissioner Sarah Strommen
 Commissioner Jason Tossey
 Commissioner Jeffrey Wise

Members Absent: None.

Also Present: City Administrator Kurtis G. Ulrich
 HRA Executive Director Heidi A. Nelson
 Public Works Director Brian Olson
 Economic Development/Marketing Director Aaron Backman
 Development Manager Darren Lazan

CALL TO ORDER

Chairperson McGlone called the Work Session of the Housing and Redevelopment Authority to order at 8:16 p.m. He announced that Commissioner Ramsey is out of town and, as allowed by State Law, attending this meeting via Skype. However, Commissioner Ramsey will be reflected as being absent during votes.

TOPICS FOR DISCUSSION

Case #1: Consider Offer by Northgate Church to Purchase Property in The COR

HRA Executive Director Nelson introduced Northgate Church Pastor Wayne Skaff and Church member Bill Dorn who is its legal representative. She indicated staff met with both on several occasions and worked through initial discussions. Northgate Church has provided a letter of intent to purchase property in The COR and retained Station 19, an architectural firm. The location is across from the Municipal Center, anchoring the east side of Center Street.

Wayne Skaff, Executive Pastor of Northgate Church, stated they are a congregation of 700-800 on a typical Sunday with 80-85 children attending Wednesday programs. Northgate Church decided to come to The COR because it believes in the future of the City and wants to continue to partner with The Fountains, Caribou, Acapulco, the Charter School, and The Falls Café. Pastor Skaff described their plans to construct a 21st Century church that contained a performing

arts center seating for 500-700 people, state-of-the-art sound system and acoustics, flat floor, portable raised stage that can be reconfigured, backdrop video walls, stadium seating to a second level, with great sight lines. The glass entrance/atrium will be similar to that exhibited at the City Hall, Veterans Clinic and Allina Health. The Church will use the facility on Sunday and the rest of the week it will be available for concerts, meetings, movies for family night, Happy Days enhancements during inclement weather, and the PACT Charter School arts programs. In addition, if desired by the City, they are willing to consider a daycare/preschool. He noted that with such a use parents can park in the ramp, bring their child to the day care center/preschool, then take the train to/from work, picking up their child at the end of the day, getting their car from the ramp and heading home. Pastor Skaff stated they want to partner with the City and use parking that is already constructed in the ramp. The Church would also use The Fountains for banquet services and may rent office space above The Falls Café. Plans are to begin construction by the end of 2012 and open late next year. Pastor Skaff explained that instead of developing the church facility in phases, they would build only 25,000 sq. ft., which is adequate for Northgate Church, and look for a joint use to meet parking and other needs. Rather than expanding in The COR, the Church would look for other satellite locations.

Pastor Skaff stated they would raise \$3 million in funds during the next four months to build this structure. He indicated they were looking to pay a fair price for 55,000 sq. ft. and enter an agreement with the City for their share of costs for allocation of parking spaces in the ramp and common area of The COR. Pastor Skaff stated they think the Church will bring a lot to the City and can be a catalyst for growth in The COR. He indicated they have other options but feel The COR is the best location and they are willing to take the next step to have their architectural staff provide exterior renderings to assure the HRA that the structure will be similar in appearance to what already exists in The COR.

Commissioner Elvig stated support for the concept of a performing arts center; however, the HRA would need to address the issue of zoning since it is not set up for a non-profit within The COR. The HRA will also need to consider how to address not establishing precedence, tools available to “level the field,” surrounding mixed uses, and potential for air rights over the top of the Church for residential. Commissioner Elvig raised the option of a private/public venture to lease the property, which would create a revenue generator for the HRA.

Chairperson McGlone asked about zoning for this assembly use.

HRA Executive Director Nelson stated she will review the Zoning Ordinance and report back.

Commissioner Backous supported the concept of the mixed uses described and thinks it will serve the area well. He stated it is a beautiful plan and asked whether it is a performing arts center with a church, or a church with a performing arts center. He noted this is some of the most expensive land the HRA has and the tax income is a concern.

Chairperson McGlone stated he appreciates the desire for the structure to blend in with existing buildings but the two-story issue has to be overcome. On the tax base issue, he stated he does not have a big concern as long as the land is sold for its value. Chairperson McGlone noted the HRA cannot discriminate against uses with tax-exempt status.

Commissioner Backous agreed the value of the land is important and if in The COR, generating taxes is a concern. He noted, however, that one could argue this use would serve other purposes so the HRA could forego taxes, and that may be a valid point.

Chairperson McGlone pointed out that 800 people on Sunday plus additional uses will bring in a lot of people to The COR.

Commissioner Backous felt The COR already had enough catalyst.

Commissioner Strommen stated the concept did not come through in the drawings so she appreciated the presentation. She supported the performing arts center concept and noted the numbers and balance sheet can be discussed in closed session.

Pastor Skaff stated they see this as a performing arts center for five days a week. Northgate Church will have no offices in the building and the exterior will not have a cross or steeple but there may be inside art with a cross. Northgate Church would be the owner and the only use restriction would be for family oriented venues. With regard to taxes, he noted Northgate could locate on another property along Armstrong Boulevard, Legacy, Hope Fellowship, or the Diamonds property resulting in those properties becoming tax exempt. Their proposal is for 55,000 sq. ft, about an acre and one-third. Pastor Skaff clarified they are proposing a two-story structure throughout plus parapets to hide HVAC, etc. The area for expansion will be built as a shell for future build out.

City Administrator Ulrich advised a number of cities have built performing art centers that do not pay taxes, run a deficit, result in costs to operate and maintain, and require additional employees. In this case, the HRA would have land proceeds and opportunity to collect on the Special Services District (SSD) and activity it generates. He felt the HRA could make a case for public purpose through negotiations.

Commissioner Tossey stated his biggest issue is taxable versus non-taxable. He indicated he would need to see what would outweigh the nontaxable issue, such as people coming into The COR, events like weddings, and use of the ramp. Without knowing the land price, on its face, he shared some of Commissioner Backous' concerns but would defer until the HRA knows the sale price.

Development Manager Lazan requested direction on parking, the tax item, and price (during closed session). He noted the church of 21st Century concept results in a lot of operations being fulfilled outside this facility, in tax paying facilities such as The Fountains.

Chairperson McGlone asked about the surface parking being proposed.

Development Manager Lazan displayed a site plan of the subject site and parking arrangement to provide for daily use on their property. The rest of the parking requirement would be met in PUMA A or PUMA C or a combination. He felt there was no better example of compatible

shared parking and the appropriate level of parking would be considered during the zoning approval process.

Commissioner Backous asked if the road alignment will have to change.

Development Manager Lazan explained that the Center Street alignment may change to arrive at a 90-degree intersection with Sunwood Drive. He stated he will put together those numbers.

Commissioner Ramsey stated he thinks this is the perfect project for this proposed location. He indicated he understands there may be a problem with public perception of a nontaxable entity in The COR but the HRA needs to remember that Northgate Church is large, successful, and will build somewhere in Ramsey on much larger parcel. Commissioner Ramsey stated he favors putting forth the effort to make this multi-use facility happen.

Chairperson McGlone asked about the potential for daycare, which would require parking for drop-off.

Pastor Skaff clarified that Northgate Church does not want to be in the daycare or preschool business but it had been brought up that those uses were desired in The COR and this location makes sense. He indicated they would be willing to work with those uses, but don't want to be in the business of running it.

Commissioner Strommen asked about fund raising plans.

Pastor Skaff described their fund raising timetable between now and May 6, 2012, their Celebration Sunday. They will be asking for donations and three-year pledges and encourage front end giving to purchase the land and move architecture and construction ahead. Pastor Skaff explained Northgate Church is already paying rent to someone else, needs a place, and it is their prayer for a miracle to allow the building to be under construction at this time next year.

Commissioner Wise stated he likes the proposed project but his biggest concern is the nontaxable status.

Commissioner Elvig stated he does not know if two stories are really the goal if there will be four or five stories surrounding. However, he felt the design could emphasize the performing arts space to make it a "real jewel." He asked if a community center could be connected to this use.

Development Manager Lazan explained that not much has been done in the way of architectural elevations but this project will meet or exceed the HRA's architectural and heights standards. The structure will be two stories plus, as high as or higher than the City Hall, plus parapets.

Pastor Skaff stated they are open to anything at this point including retail, residential, and/or office stacked if it fits within the construction design. He indicated they are ready to hold those discussions.

Development Manager Lazan stated if the HRA is comfortable with the parking, the tax issue is on the table for discussion. He noted the HRA can move that issue to closed session along with discussion of the sale price.

Pastor Skaff assured the HRA that everything is on the table but their Board of Directors does not want to be a precedence setter of falling into the role of paying taxes. He noted the YMCA Legacy Campus, or Charter School would not be expected to pay taxes. Pastor Skaff stated they want to find a win-win in other ways so the City feels it is getting its fair share. He stated Northgate Church will bring synergy and a quality performing arts center to The COR and they will negotiate through the process and provide architectural drawings so the HRA can also sell it to the public.

Commissioner Elvig stated he appreciates their approach and asked about concerns with a nonprofit in a TIF District.

HRA Executive Director Nelson explained it would affect the long-term proforma since a church is not a taxable entity. She stated she looked at the Zoning Ordinance and in COR 1; religious institutions are a conditional use.

City Administrator Ulrich noted it is a 25-year TIF District and the odds that the whole 130 acres will be fully maximized are low. If the HRA's strategy is to spur development and get other taxable properties built as accessory to this use, he felt it was a reasonable argument.

Bill Dorn, attorney representing Northgate Church, reminded the HRA it will be able to impose covenants on the property to assure the other uses will materialize and there will be enforceability.

Commissioner Backous again asked if this will be a church with a performing arts center or a performing arts center with a church. He also asked if they will have revenue-producing uses so this could be perceived as a scheme around taxable versus non-taxable status.

Pastor Skaff stated they plan to build a church and want the facility to be used by the public as much as possible. The revenue received by those uses would just offset operational costs and not be a revenue generator or financial income to offset mortgage payments.

Commissioner Tossey asked about Pastor Skaff's earlier comment that he had identified churches by city halls while visiting eastern states. However, this building will not have an exterior cross or spire to create the identity of a church.

Pastor Skaff stated he was commenting that the faith component was the synergy of the community.

Development Manager Lazan pointed out that one of the key perspectives is that this is a use that creates separation between a "strip mall fake downtown" and more of a community component with a tremendous downtown character.

Chairperson McGlone stated this meeting will move into closed session to discuss the offer by Northgate Church to purchase property in The COR.

Chairperson McGlone called a recess at 9:10 p.m. The meeting was reconvened at 9:13 p.m.

Motion by Commissioner Elvig, seconded by Commissioner Backous, to move to closed session.

Motion carried. Voting Yes: Chairperson McGlone, Commissioners Elvig, Backous, Strommen, Tossey and Wise. Voting No: None. Absent: Commissioner Ramsey.

The HRA meeting moved into a closed session at 9:13 p.m.

The HRA meeting returned to open session at 9:53 p.m.

Chairperson McGlone indicated that during the closed session, the HRA gave the development team direction to counter offer.

Case #2: Consider Offer to Purchase Property – Sunwood / Ramsey and Sunwood / Armstrong

Development Manager Lazan presented the details of the Kwik Trip offer and negotiations for clean purchase on the Sunwood/Ramsey parcel and right of first refusal for the Sunwood/Armstrong parcel. He indicated the site plan will be presented at the next HRA meeting and asked the HRA for its input.

Commissioner Elvig asked if performance language can be included and suggested a greater setback from the corner so the canopy is farther back and similar to the use across the street.

Development Manager Lazan stated they propose an extremely aggressive timeline to close in 2012 and build in 2013. He described the setback area and location of a landscaping wall.

Commissioner Ramsey stated he is concerned with the proposed site plan, and would prefer the car wash be located on the other side, not near the street, due to the noise it creates.

Commissioner Backous asked whether the HRA will receive a higher price with the right of first refusal.

Development Manager Lazan noted the HRA accepted the offer of \$11/sq. ft.

Commissioner Strommen noted the right of first refusal carries a restrictive covenant.

Development Manager Lazan explained if Kwik Trip takes the second parcel there would be a restriction of no other gas station.

Commissioner Elvig noted this C-store/fuel station will require a CUP. He stated he is not suggesting rezoning because the CUP process allows the City to work with the site.

Commissioner Strommen asked whether the covenant will define the convenience store use, explaining she does not want the City to get strapped later on because of the restrictive covenant.

Development Manager Lazan explained the HRA will discuss, in the future, if it should be restricted from gas or from convenience of a certain size.

The consensus of the HRA was to support furthering the Kwik Trip offer and negotiations for clean purchase on Sunwood/Ramsey parcel and right of first refusal for the Sunwood/Armstrong parcel.

Case #3: Consider Offer to Purchase Land – Sunwood Retail Area

Commissioner Wise recused himself from this discussion at 10:06 p.m. because he may be relocating his business to this area.

Development Manager Lazan explained the Sunwood Retail area was created when Sunwood Drive was realigned. Osborne Capital is interested in purchasing the five-acre Sunwood Retail area along with the 3-4 land deals the HRA has been negotiating. If approved, Osborne Capital would be responsible for closing those transactions and the City would only have one transaction (with Osborne Capital). Another benefit is that it would create momentum, moving forward, and engage the West 30 as well. Development Manager Lazan stated he would loosely describe the offer as being less than the average of the current offers but the City would realize savings by passing along three to four closing costs. The price range with Osborne Capital is \$7-\$9/sq. ft. and the range with the single users is \$9-\$11/sq. ft. Because of the savings from closing costs, he felt the Osborne Capital offer was probably a “wash.”

Chairperson McGlone stated support to sell the land sooner rather than later and get the HRA out of the development business.

Commissioner Strommen asked about the West 30.

Development Manager Lazan explained it is a complicated draft, they continue to have discussions, and need time to draft the documents. He stated staff may be able to get this under agreement concurrent with West 30. It was noted a phasing program will be needed on the 30 acres, triggered by success on the interchange.

Commissioner Strommen stated this may be a way to do a trial on a smaller scale. She explained why she was not overwhelmed by Mr. Osborne’s presentation but felt this consideration may have merit if the dollars are a “wash.”

Commissioner Elvig stated he did not think the dollars were a “wash” and he was concerned the HRA is about to step away from something when it has spent money on marketing and the development team for 24 months of effort. Commissioner Elvig asked about the past discussion of a Walgreen’s at \$16/sq. ft. He indicated he liked the timing but felt the HRA had made an investment, has capable staff, and there is a need to be diligent to get the comps and cash.

Development Manager Lazan clarified that Osborne Capital will not get the projects done faster than staff will get it done.

Chairperson McGlone stated there has been no agreement with Walgreen's and he thinks this proposal results in a "wash" because Kwik Trip is at \$11/sq. ft.

Motion by Commissioner Tossey, seconded by Commissioner Backous, to move to closed session to discuss potential land sales in the Sunwood Retail Area.

Motion carried. Voting Yes: Chairperson McGlone, Commissioners Tossey, Backous, Elvig, and Strommen. Voting No: None. Absent: Commissioners Ramsey and Wise.

The HRA meeting moved into a closed session at 10:15 p.m.

The HRA meeting returned to open session at 10:20 p.m.

Chairperson McGlone indicated the HRA discussed a concept offer for a bulk purchase of land at the southeast corner of Armstrong Boulevard and Sunwood Drive, the Sunwood Retail Area, and had requested staff provide more detail.

Commissioner Backous requested a summary of the due diligence conducted of Osborne Capital.

Commissioner Wise returned to the meeting at 10:21 p.m.

Case #4: Review of 2011 Efforts and 2012 Goals and Objectives

Development Manager Lazan presented the Development Management Recap for 2011 and goal setting for 2012.

Commissioner Tossey asked for an update on the bonding bill.

City Administrator Ulrich stated he is not aware of one being passed but will check on the status.

The HRA discussed its desire to sell The COR property in an expedient manner, get back the City's investment, and get out of the real estate business. Development Manager Lazan was asked to provide financial information and the dashboard whenever requesting the HRA's input on sale prices and financial matters. It was agreed that the HRA members do not have expertise in real estate and rely on the Development Manager to provide an accurate and professional recommendation on the appropriate sale price.

The HRA acknowledged that residents have raised questions about The COR land sales considered by the HRA, the value of Landform's contract, and have a perception of mistrust. It was agreed that Members are doing their job by asking questions and doing so does not disparage Landform or Mr. Lazan.

Commissioner Elvig left at 11:03 p.m.

HRA Executive Director Nelson commented on the practice in the real estate world to build relationships and complete deals through those networks. She assured the HRA that staff is completing its due diligence and thoroughly vetting all sale offers to assure the public is protected. HRA Executive Director Nelson indicated staff will do a better job of giving the HRA that analysis.

The HRA agreed with the benefit of discussing, openly and honestly, issues that arise. It was also agreed the HRA serves as ambassadors to the City and community, needs to work together with positive intent to complete this project, and minimize issues that arise.

EXECUTIVE DIRECTOR'S REPORT

None.

COMMISSIONER INPUT

None.

ADJOURNMENT

Motion by Commissioner Tossey, seconded by Commissioner Backous, to close the Work Session meeting of the Housing and Redevelopment Authority.

Motion carried.

The Work Session meeting of the Housing and Redevelopment Authority adjourned at 11:17 p.m.

Respectfully submitted,

Heidi A. Nelson
HRA Executive Director

ATTEST:

Jo Ann M. Thieling
City Clerk

Drafted by Carla Wirth
TimeSaver Off Site Secretarial, Inc.