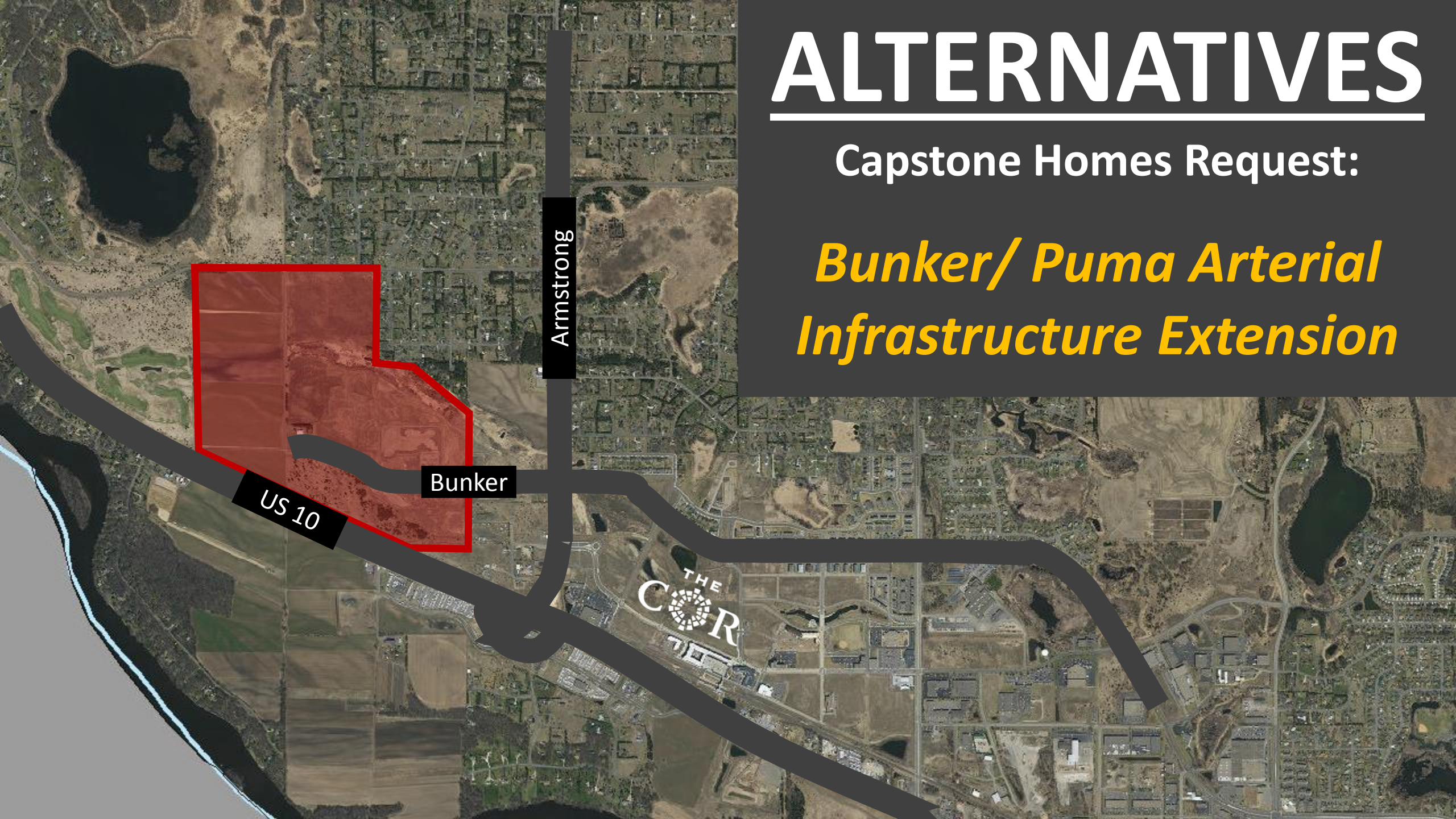


ALTERNATIVES

Capstone Homes Request:

*Bunker/ Puma Arterial
Infrastructure Extension*



ALTERNATIVE A

CAPSTONE HOMES

Phase 2

Puma

Phase 1

US 10

Bunker

Capstone Request/ Proposal

- City extend arterial infrastructure in **2017/2018**
- City fund project upfront
- City assess back Capstone Homes their portion
- City use past practice of 60/40 split (60% City)

PHASE 1B: \$1.44M (\$2.17M GROSS)

- City 60% (864K)
- Capstone 40% (576K)

PHASE 1A: \$1.18M (\$1.51M GROSS)

- City 60% (708K)
- Capstone 16% (188K)
- Hageman 24% (283K)

ALTERNATIVE A, Capstone Home's Proposal (AS-IS)

Benefits

- Deal is agreeable to Capstone Homes and Hageman Holdings (tentatively)
- Would trigger roughly 300 unit residential development.
 - Drive traffic/consumers to The COR--demographics for retail/restaurants.
 - Trigger payment of significant development fees. Park dedication fees--trigger preliminary development of new Alpine Park. At full build out, pay over \$400K in taxes (city portion)
 - Various new pedestrian connections (completes portion of greenway).
 - Inventory of major res. plats with land available is running low. Project would help sustain Ramsey's steady growth of sf. res. product into future.
 - Capstone Homes is a respected, quality, Ramsey business.
 - Appears high-quality/ unique project (not standard sf).
- Secure remaining arterial infrastructure needed for new Ramsey business park now (about half remains).
- Deal (60:40 split) generally consistent with recent projects in Ramsey. Based on review of historical res. projects, this deal appears to be as good, or better, than previous deals (for the City, from a cost-share perspective).

Considerations

- City's primary goal for this area is establishing a new business park. Upon completing the rezoning process (June 2017), the City will have about 55 acres of business park land available, with appropriate arterial infrastructure in place, today.
- Moving forward with Capstone's request could be considered risky, pre-mature, and speculative. The City would be expending limited public dollars today to allow for arguably a "leap-frog" residential project.
 - One could argue, the City should wait, until our existing 55-acres of business park land, currently served by arterial infrastructure, is developed, before we make additional significant investments in this area.
 - One could argue, another slump in the economy is bound to happen in the upcoming years. What would investment look like to the public if there was?
- RE funding--opportunity cost for both general alternatives.
 - CASH from EDA: project would deplete City's EDA funds (\$2.55M July 2017). Said dollars could be used for other projects (community center, hwy. 10, business recruitment, parking ramp, etc.).
 - BONDING: project would create roughly \$200-225K impact on the city's levy—via new debt.

ALTERNATIVE B

CAPSTONE HOMES

Phase 2

Puma

Phase 1

US 10

Bunker

Counter Offer

• Minimize city risk and financial exposure on this project by making a counter offer on various items. Examples below.

PHASE 1B: \$1.44M (\$2.17M GROSS)

- City 50% (720K)
- Capstone 50% (720K)

PHASE 1A: \$1.18M (\$1.51M GROSS)

- City 50% (590K)
- Capstone 25% (295K)
- Hageman 25% (295K)

ALTERNATIVE B, Capstone Home's Proposal (Counter Offer)

Benefits

- Same benefits as outlined in Alternative A. However, slightly mitigated via a counter offer.

Considerations

- Same considerations as outlined in Alternative A. However, slightly mitigated.
- Please see attached comments from Capstone. They are opposed to this option. They believe they are participating above and beyond normal City policy (past and present) via Alternative A. They believe their effective cost share, via Alternative A, is actually 53% (not 40%).

ALTERNATIVE C



CAPSTONE HOMES

Phase 2

Puma

Phase 1

Wait for orderly development

- Wait for the green field business park land currently served by existing arterial infrastructure to be developed first (about **55 acres**). Then, in the future, **extend** arterial infrastructure.
- In other words, don't "leap-frog" arterial infrastructure, wait for orderly absorption of land to occur.
- This would essentially put a halt to the Capstone project (i.e. current request).

Bunker

US 10

ALTERNATIVE C, Do not move forward with Capstone Proposal

Benefits

- Generally opposite of Alternative A (see A for details).
 - City greatly reduces risk and debt/ investment exposure associated with Capstone request.
 - City retains Economic Development dollars for other high priority projects (highway 10, community center, parking ramps, business recruitment, etc.).
 - City still meets goal for business park (enough land ready today for foreseeable future).

Considerations

- Generally opposite of Alternative A (see A for details).
 - Will likely lose Capstone residential project—missed opportunity for a quality project from a quality Ramsey business.
 - Will likely result in Pearson Farms being put in a challenging position to sell their property.
 - Will likely delay preliminary improvements for the new Alpine Park—due to the lack of new development fees from Capstone.
 - Will likely stifle Ramsey's single family residential development potential over the foreseeable future—due to the lack of large single family plats in the hopper.

STAFF NOTE #1, Funding Options

Two general options to consider for funding: bonding or cash (i.e. existing funds).

Option #1 - Issue \$2,700,000 G.O. Improvement Bonds: 10 year term (5 years of Assessments)

Alternative	Average Annual Debt Service	(Less) Average Annual Assessments	Net New Tax Levy	Projected <u>Annual</u> Tax Increase - Avg. Value Home (\$211,800 - Pay 2017)
A - 40% Assessment	\$317,636	\$89,438	\$228,198	\$21
B - 50% Assessment	\$315,551	\$118,721	\$196,830	\$18

Option #2 - Internal Financing of Total Project Costs

Alternative	Internal Funds Needed For Project Costs	* (Less) Total Potential Assessment Collections	Net Internal Funds Not Recaptured
A - 40% Assessment	\$2,600,000	\$1,200,631	(\$1,399,369)
B - 50% Assessment	\$2,600,000	\$1,497,063	(\$1,102,937)

* Assumes Capstone assessments are paid in first 5 years and Hageman Assessments are deferred and paid in year 10

EDA dollars available to fund project upfront, no bonding (new debt) required

- ACHRA/EDA Account: \$1.75M, EDA Fund: \$800K = \$2.55M
- Allow city to capture new tax base created from Capstone for other needs (about \$400K city), and helps keep stable tax base.
- Hageman/ Capstone assessments would refund EDA Fund, in future (about \$1.2M)
- Allows project to be an EDA/HRA project/ initiative.

STAFF NOTE #2, Hageman Holdings

Most alternatives includes some sort of “Hageman Holdings” assessment. Below are some important notes RE that proposed arrangement.

- Hageman Holdings is currently paying roughly \$170K per year on assessments, and owes roughly \$1.7M from former Legacy Christian Academy project. Hageman Holdings is opposed to taking on any new assessments. They are done taking on new financial risk (obligations), by making major upfront investments in speculative development.
- If the City will require Hageman Holdings take on new assessments, Hageman Holdings will oppose. Hageman Holdings is willing to sit on their property, and wait for an investor/ master developer to purchase in the future. And, that future investor, would factor in the cost of needed arterial infrastructure. Hageman Holdings is aware that may result in a lower sale price, and potentially longer timeframe to close on sales. NOTE: the preliminary principal amount anticipated for the Hageman assessment is \$283-\$350K.
- Staff believes a creative solution exists, if the City wanted to move forward with the Capstone proposal now, the City could assess Hageman Holdings for their portion of the project now. However, make the Hageman Holdings assessments due at the time of a future land transaction. Therefore, Hageman Holdings would have no risk. The City would recover their upfront dollars in the future, and Capstone can move forward. The draw back here is time. The City would front the dollars, and miss an opportunity to invest those dollars elsewhere.