

Infrastructure QA Log

06/01/2017

1. HOW HAS THE CITY PAID FOR PUBLIC INFRASTRUCTURE IN THE PAST, IS THERE A POLICY?

The City DOES have a formal program in place for maintenance and replacement of EXISTING public infrastructure. Please reference Ramsey's adopted assessment policy/ long term street maintenance program. The city DOES NOT have a formal policy in place for NEW infrastructure. Historically, this process has been addressed on a case-by-case negotiated basis in Ramsey. Based on staff research, below are some common trends/ informal policies.

A. *Collector Roads/ Arterial Roads*

In the recent past, the City of Ramsey has generally split costs 60:40 (60% City). This occurred in The COR in 2004, 2005 on Rhinestone Street and Sunwood Drive. This occurred in 2013 on the Legacy Christian Academy project (extension of Bunker). The City has a MOU in place for the final extension of Bunker/Puma, at 60:40.

Looking further into the past, staff conducted historical research on arterial/ collector "municipal" roads (please see appendix for details). 16 developments were analyzed on four major municipal roads: Sunwood Drive, Alpine Drive, 167th Ave, and Variolite Street. Below is a summary of findings.

- Most commonly, the City of Ramsey has paid for arterial roads, not developers. The City has used MSA funds, TIF funds, PIR funds, and bonding.
- There is a small sample of projects, in which developers did pay for a PORTION of arterial infrastructure (Sunwood Drive in the early 1990s). Developers made a partial contribution in the amount of what they would have paid, had the arterial/ collector road been a standard residential neighborhood/ internal road. In these cases, there was not a policy/ or specific percentage split. It was a case-by-case analysis approach, determined by an engineer.

B. *Internal Public Roads*

- For RESIDENTIAL developments, it appears Ramsey has required developers to pay 100% of costs associated with internal/ public roadway systems (i.e. neighborhood public roads). In some limited cases, the City of Ramsey has helped residential developers with internal roadways, by financing these improvements upfront via bonding, and paying them back via an assessment agreement with the developer (typically 5 year term).
- For INDUSTRIAL developments (not retail), the City of Ramsey has typically paid for construction via current and former TIF Districts. Two recent examples are Azurite Street and 143rd Ave. In those cases, however, developers did provide the City with land (i.e. dedicated ROW at no charge).

2. WHAT IS THE POLICY FOR ARTERIAL INFRASTRUCTURE IN OTHER DEVELOPING CITIES?

As part of the 2015 Bolton & Menk in-depth arterial infrastructure analysis, this question was addressed. Please see comments below from Bolton & Menk.

"We contacted numerous agency and community representatives to gauge the level of development activities on-going, planned and anticipated within their cities. The results varied greatly across the Metro area. There does not appear to be a uniform policy that can be drawn upon related to assessing costs. Even within most cities, there doesn't seem to be a strict set of rules related to development charges and fees. Rather, each community seems to have processes in place for working with developers that allow them to weigh the pros and cons of each development and determine the long-term financial benefits to the community. Eventually, development review processes are completed, requirements agreed upon, and the cost sharing between the developer and the city are formalized into a Developers Agreement. The information gathered indicates the City of Ramsey's previous approach to a cost split (40 percent developer and 60 percent City) for trunk utilities and collector roadways is reasonable based on what other communities are doing across the Metro area." –Bolton & Menk

3. WHAT FUNDING SOURCES HAS THE CITY HISTORICALLY USED FOR FUNDING NEW PUBLIC INFRASTRUCTURE?

In summary, the city has utilized three general funding sources:

1. TIF districts

The city either utilized TIF bonds or surplus TIF District Funds to complete this work (typically said investment was made by the city upfront). The city was paid back for their upfront investment over time via TIF revenues. This process was repeated several times from the 80s through the 2000's. Due to changes in TIF law, TIF districts have become less powerful and flexible over the past couple decades. As a result, Ramsey (along with other cities), have slowly become less reliant on TIF.

Additionally, it should be noted, through the 90's and early 2000's Ramsey had several TIF districts with multi-million dollar balances. Most of those TIF district balances have been spent down, and in some cases, those former TIF districts have been decertified. The former TIF districts played a major role in funding infrastructure in The COR for example (parking ramp, train station, roads, Armstrong, etc.).

2. Public Improvement Fund (PIR)

This fund generally helps pay for the construction and maintenance of public streets. In the 1980s and 1990s, this fund was commonly used to support the construction of new public roadways in Ramsey. Previous to 2015, the fund received dollars from the City's general levy. Since 2015, this fund receives dollars from new general obligation debt (bonding).

3. MSA Fund

To support the State's system of streets, roads and bridges, MnDOT distributes funds for highway maintenance and construction to counties, cities and townships based on a formula determined by the State Legislature. This fund is fairly flexible and used for road construction projects. This fund was utilized for the Legacy Christian Academy Plant (extension of Bunker).

4. WHY SHOULDN'T THE DEVELOPERS PAY FOR EVERYTHING?

RE THE BUSINESS PARK AREA

Market rate asking prices for raw, shovel-ready, industrial land in the Ramsey area is \$2.00-\$3.50 per square foot.

Currently (i.e. before adding internal public roadway costs), Hageman Holdings is listing land for \$2.25-\$2.75 per square foot. PSD's goal is not to sell land—they will want to act as developer/ owner for most projects. However, if a large enough user comes forward, they will be asking for 2.75-3.50 per square foot (due to the investments they are making in their property).

Elk River, Ramsey's biggest economic development competitor, has been listing industrial land for \$2.50 psf, before use of economic development incentives. In some cases, via use of economic development incentives, said \$2.50 psf priced land has been written down to significantly lower prices (less than \$1.00 psf), or in some cases, even down to zero.

In order to stay competitive, based on asking prices, Ramsey should stay below \$3.00 psf, and ideally be closer to \$2.00 psf, for asking prices. Additionally, the City should be prepared to use economic development incentives.

Lastly, it should be noted, asking prices are different than what price a deal can be done—likely, Hageman would be willing to sell at a price closer to \$2.00 psf (depending on the project/ negotiation), and PSD would be willing to sell closer to \$2.50 psf.

5. WHO WILL PAY FOR NON-ARTERIAL PUBLIC INFRASTRUCTURE?

RE THE RESIDENTIAL AREA

Capstone Homes has indicated they will pay for 100% of all public infrastructure located within their site, which will be a multi-million dollar investment. This is consistent with past practice in the City of Ramsey, and other communities.

RE THE BUSINESS PARK AREA

First, it should be noted, the ability to predict if/ what scope of internal infrastructure will be needed within a business park is very challenging—due to the fact that projects range greatly. For example, from 10,000 sf users (needing 1 acre of land) to 200,000 sf users (needing 22 acres of land). Depending on what users come forward, the need for internal infrastructure could be minimal—or, it could become a significant need (and cost).

Generally, internal public infrastructure within business parks is dealt with on a case-by-case basis, depending on the merits of individual projects. In many cases, Ramsey has been a progressive-minded economic development community, and paid for internal public infrastructure in business park areas (Azurite and 143rd are recent examples). In some cases the city has required the developer pay for internal public infrastructure.

Staff believes this item should remain open, and should be dealt with, based on the merits of individually proposed projects. In the even that Ramsey attracts several small individual users, the city may need to discuss/ develop a master plan (big picture strategy) on how to deal with internal infrastructure.