Infrastructure QA Log

03/22/2017

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. This policy does not apply well to the Capstone Residential Development/ New Ramsey Business Park Discussion—as this area requires new arterial infrastructure (greenfield area).

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.

1. ***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, and 2005 on Rhinestone Street and Sunwood Drive. This occurred in 2013 on the Legacy Christian Academy project (extension of Bunker).

   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.

2. ***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 cases, the City of Ramsey has helped 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).

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 gage 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 INFRASTRCUTURE?

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. Pervious 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?

(How will this arterial infrastructure project effect land values in the business park?)

Bunker Lake Boulevard/ Puma Street are considered arterial infrastructure/ trunk infrastructure/ collector roadways. These roadways are a designated Municipal State Aid (MSA) route—much like Alpine, Variolite, Sunwood, or 167th Ave. Bunker/ Puma proposed improvements include "trunk" water/ sewer lines; which are identified in the city's adopted Comprehensive Water/Sewer Plans. In summary, the arterial infrastructure proposed for Bunker/Puma will serve more than just the immediately adjacent parcels.

<u>RE THE BUSINESS PARK AREA</u>

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

If Hageman Holdings was asked to pay for 100% of all new arterial infrastructure running adjacent to their site, land prices are predicted to range from $2.00-$3.15 per square foot MINIMUM. This price does not include the cost of any needed internal infrastructure, time-value-of-money, broker fees, or profit-margin for Hageman Holdings, etc. Likely, if this was the scenario, asking prices would escalate well over $3.00 psf.

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 (such as TIF).

Hageman Holdings has set their asking prices from $2.25 to $2.75 psf, which includes existing assessments (i.e. 2013 Legacy project assessments are NOT an additional cost to a buyer).

Hageman Holdings has also indicated, they understand, that if additional NEW assessments are placed against their property (for this proposed arterial infrastructure project), they will likely need to discount that value from their existing asking prices, in order to stay relevant/ competitive in the marketplace (i.e. take less for the land). Hageman Holdings has indicated they understand that need, and are okay with that approach, and understand they need to stay at the $2.25-$2.75 asking prices. Hageman Holdings has indicated they are willing to sign another Memorandum of Understanding (MOU) outlining that position.

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).

> *STAFF NOTE:* the new Hageman Holdings assessments are estimated to range between $280K to $350K total. If that new assessment is spread across the former school site, it comes out to 10 to 13 cents per square foot, or $4,516 to $5,645 per acre.

RE THE RESIDENTIAL AREA

Capstone Homes has indicated if they cannot come to a cost-share agreement with the city for the arterial infrastructure/ collector road, they will not be able to move forward with their proposed project, as it will price them out of the marketplace. Capstone Homes feels their proposed contribution is above and beyond past practice in the City of Ramsey—and other cities they have worked with.

Capstone has also made the point—that based on past practice, they should only be making a contribution to the arterial road in which they have frontage—which is Puma. Capstone has proposed to pay for 40% of Puma. However, additionally, Capstone is offering a 16% contribution to Bunker Lake Boulevard (as requested by staff in the early negotiation process). If Capstone combined their Bunker Lake Boulevard contribution with their Puma contribution, and applied that total contribution only to their frontage on Puma, they are effectively making a 53% contribution.

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

The request before the city is related to arterial infrastructure. Said arterial infrastructure will serve two large developable areas: (1) a new 115-acre business park, and (2) about 123 acres of residential land—including the roughly 88-acre Capstone residential development. However, in many cases, internal public infrastructure will be required for each development area.

<u>RE THE RESIDENTIAL AREA</u>

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.

<u>RE THE BUSINESS PARK AREA</u>

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.

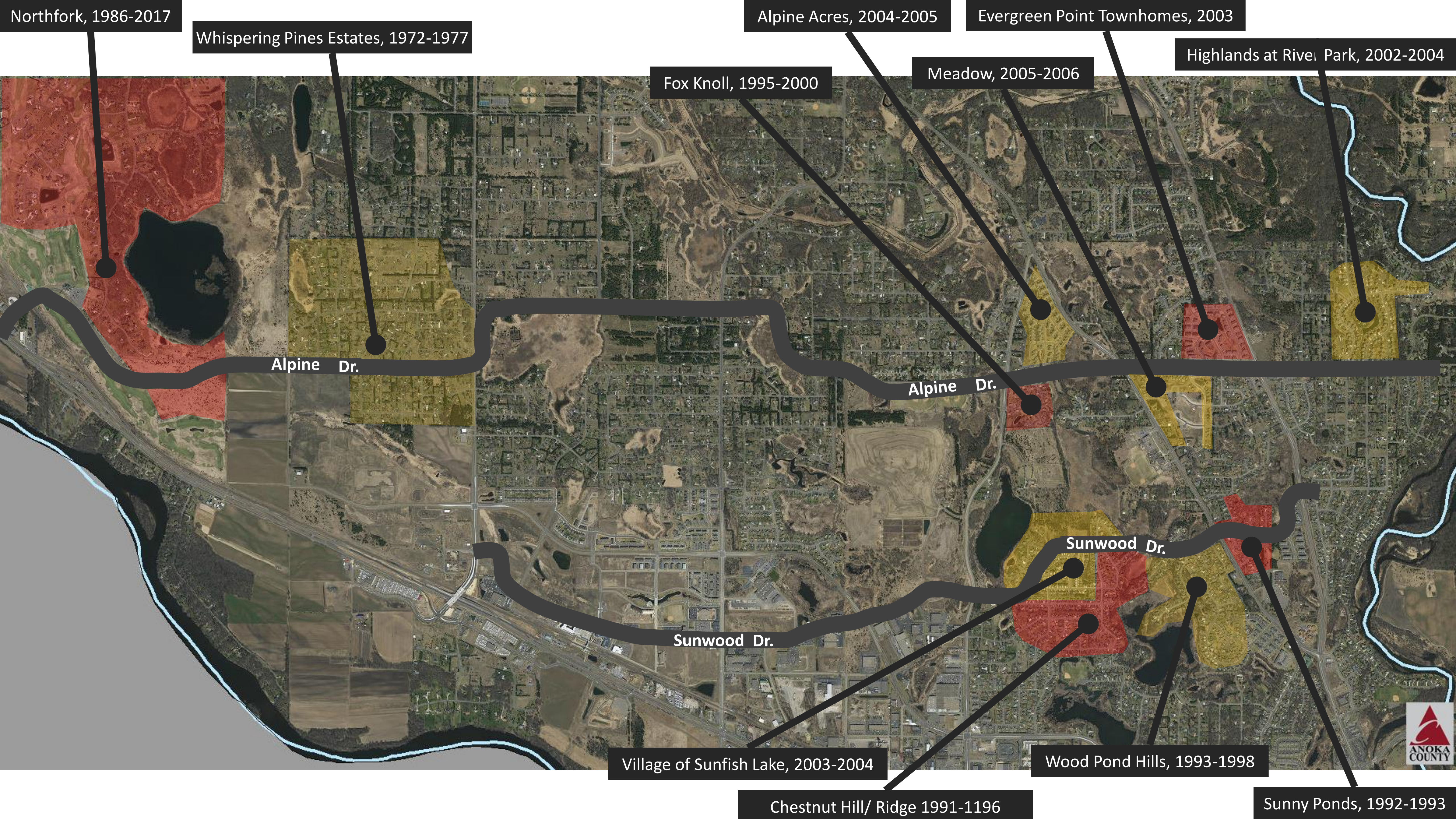
Appendix

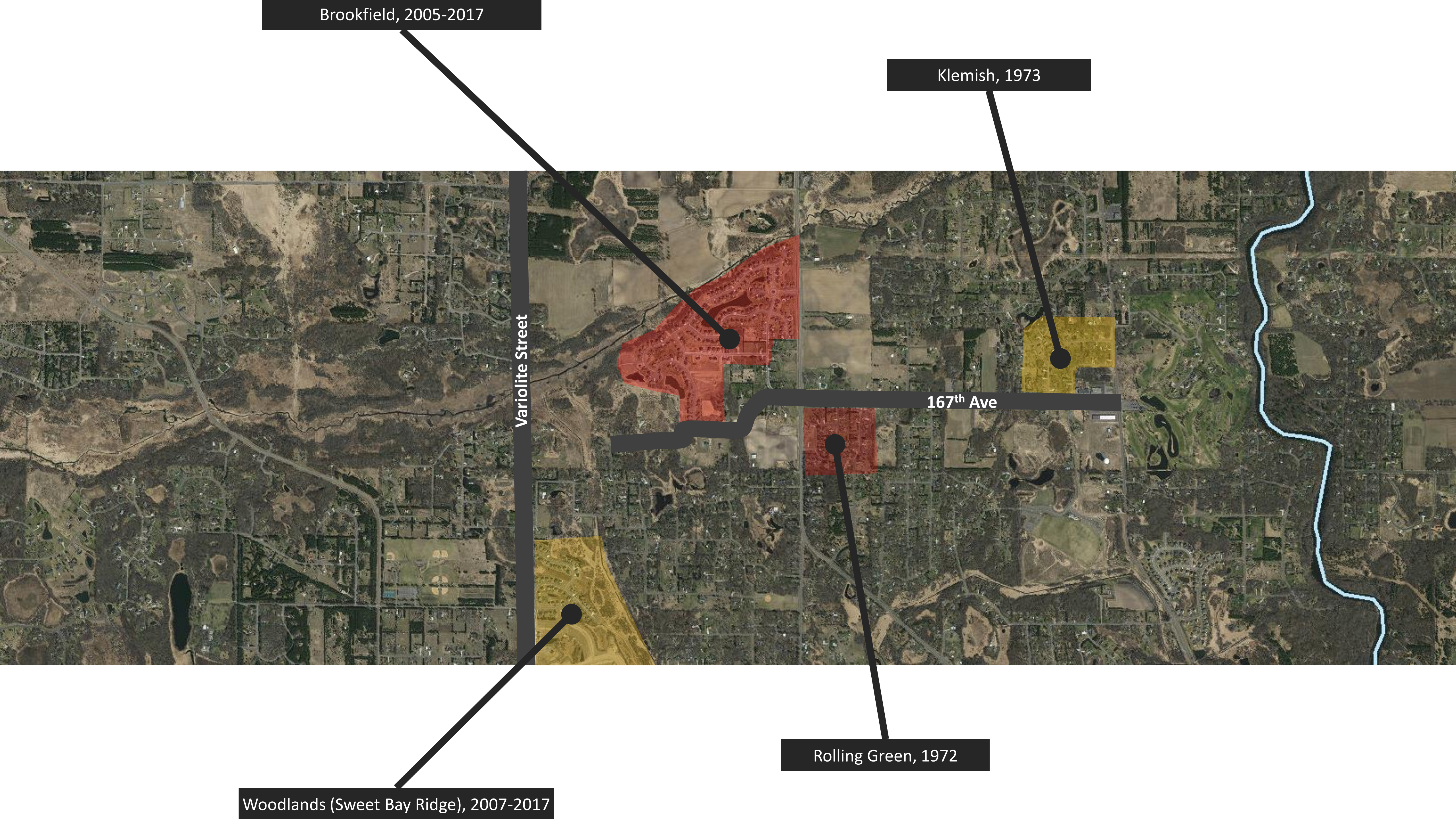
(historical research)

Example Developments

- Criteria
  - Residential developments only
  - Significant number of lots (min. 25+)
  - Located on a major City roads (Sunwood Dr., Alpine Dr., 167th Ave., Variolite St.) –known as "Arterial Infrastructure"/ collector roads
  - Direct access not on a County Road (Armstrong, Ramsey, Sunfish), and not on MN Hwy 47

- 16 Developments Reviewed


Northfork, 1986-2017
Whispering Pines Estates, 1972-1977
Fox Knoll, 1995-2000
Alpine Acres, 2004-2005
Meadow, 2005-2006
Evergreen Point Townhomes, 2003
Highlands at River Park, 2002-2004
Alpine Dr.
Alpine Dr.
Sunwood Dr.
Sunwood Dr.
Village of Sunfish Lake, 2003-2004
Chestnut Hill/ Ridge 1991-1196
Wood Pond Hills, 1993-1998
Sunny Ponds, 1992-1993
ANOKA COUNTY


Brookfield, 2005-2017
Klemish, 1973
Variolite Street
167th Ave
Rolling Green, 1972
Woodlands (Sweet Bay Ridge), 2007-2017

Findings

- 10 confirmed to not have made a direct contribution to arterial infrastructure

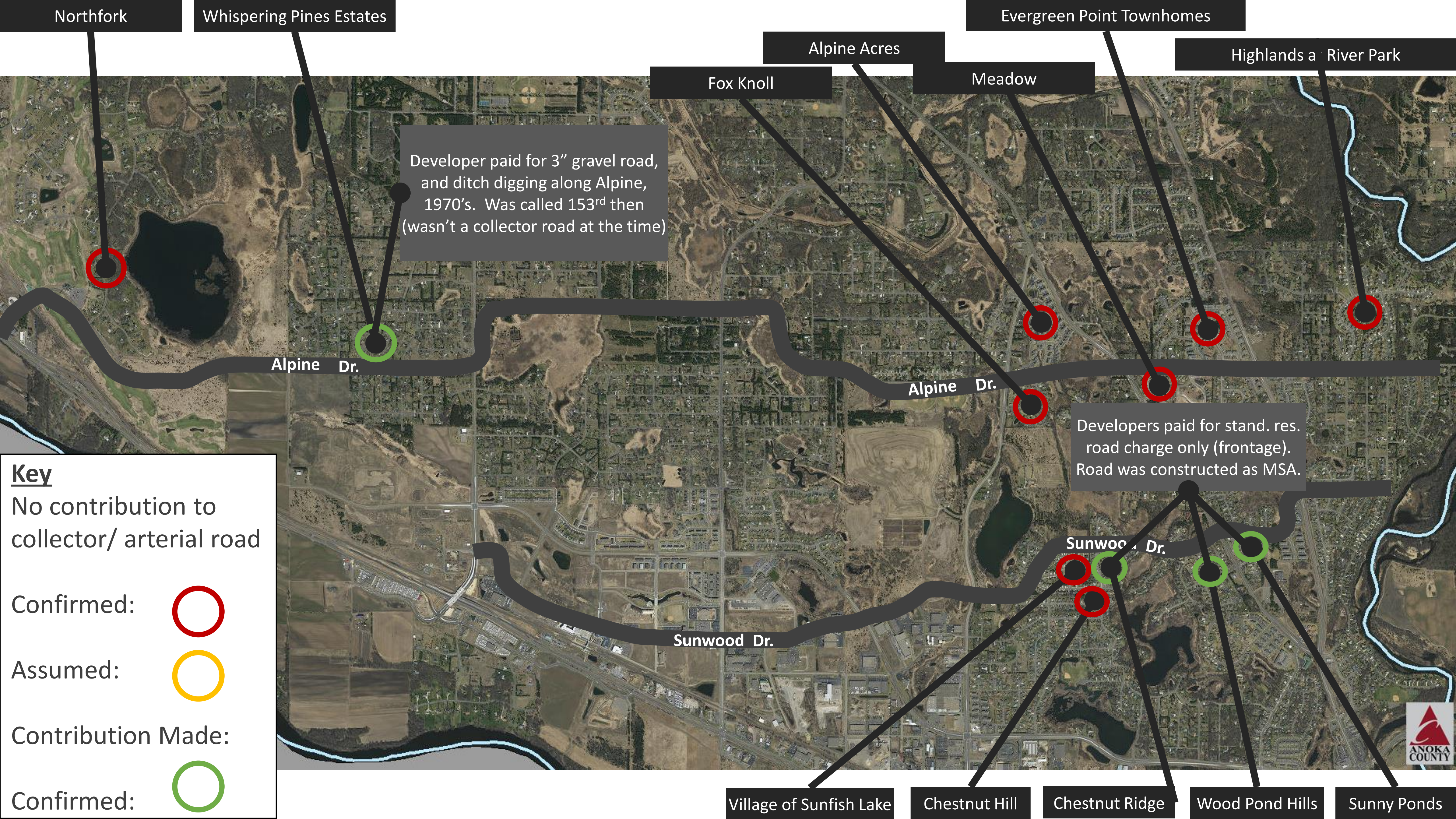
- 2 assumed (very likely) to not have made a direct contribution to arterial infrastructure

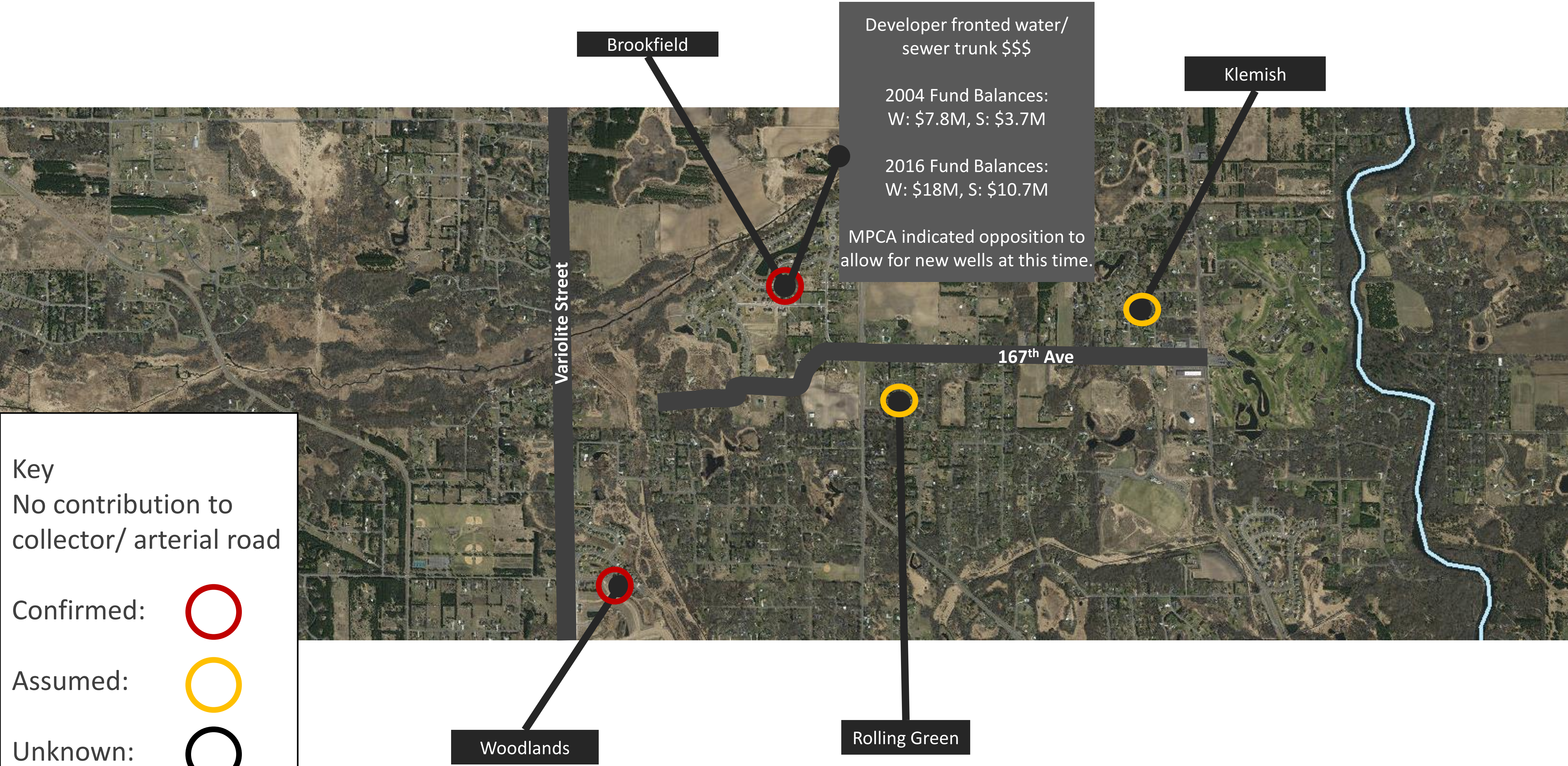
- 4 did make a contribution to arterial infrastructure

  Breakdown of the 4

  - 3 were located off Sunwood Drive in the early 1990's, and made a "partial contribution" based on what they would have paid for a standard residential road (NOTE: Sunwood Drive was constructed as a MSA road). They only paid based on frontage.

  - 1 was from the 1970s, and made a contribution by digging ditches and placing 3" of gravel.


Northfork
Whispering Pines Estates
Alpine Acres
Fox Knoll
Meadow
Evergreen Point Townhomes
Highlands a River Park
Developer paid for 3” gravel road, and ditch digging along Alpine, 1970’s. Was called 153rd then (wasn’t a collector road at the time)
Alpine Dr.
Alpine Dr.
Developers paid for stand. res. road charge only (frontage). Road was constructed as MSA.
Sunwoo Dr.
Sunwood Dr.
Key
No contribution to collector/ arterial road
Confirmed:
Assumed:
Contribution Made:
Confirmed:
Village of Sunfish Lake
Chestnut Hill
Chestnut Ridge
Wood Pond Hills
Sunny Ponds
ANOKA COUNTY



Key
No contribution to collector/ arterial road

Confirmed:

Assumed:

Unknown:

Example Historical Photos