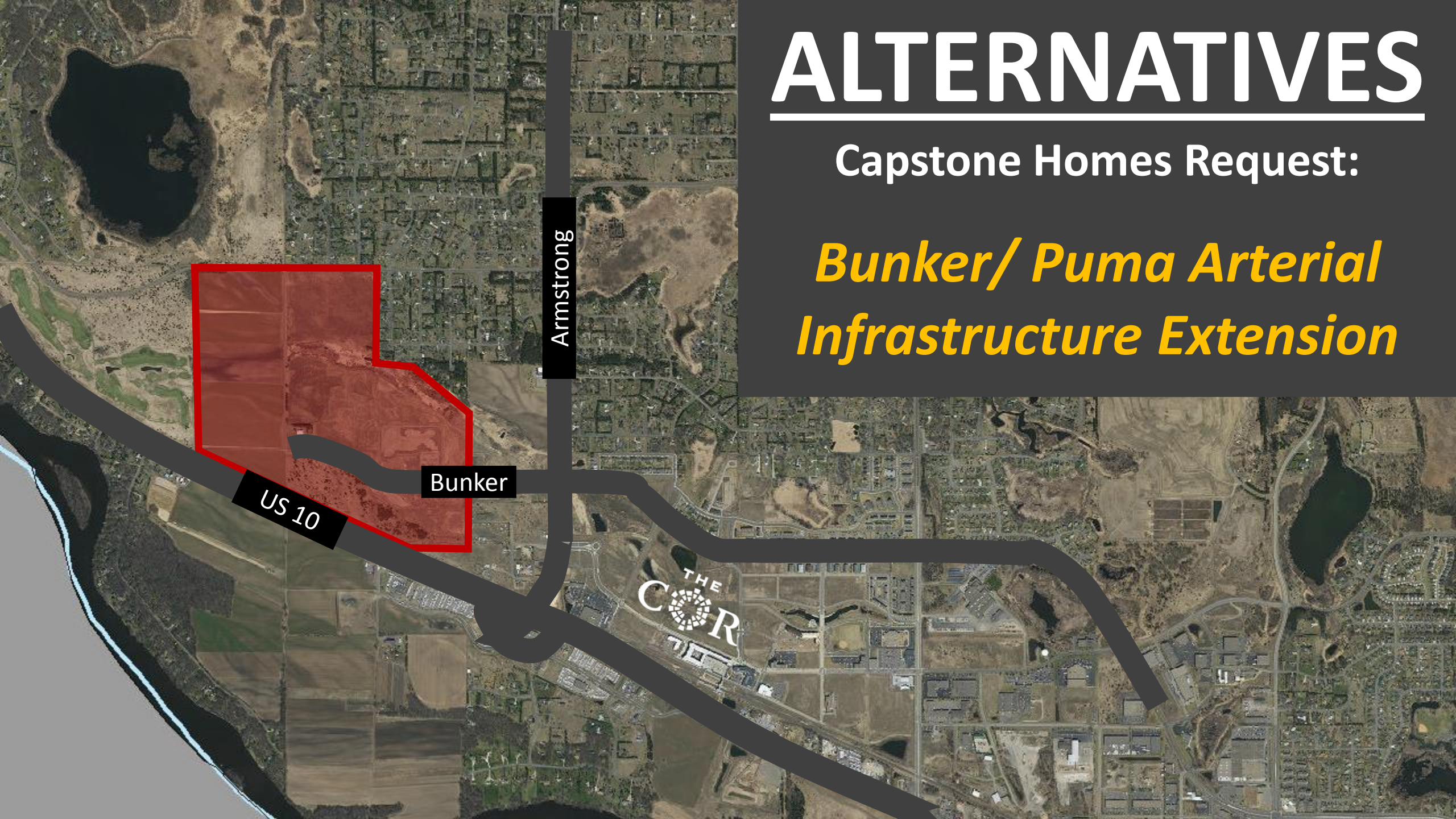


ALTERNATIVES

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 16% (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)

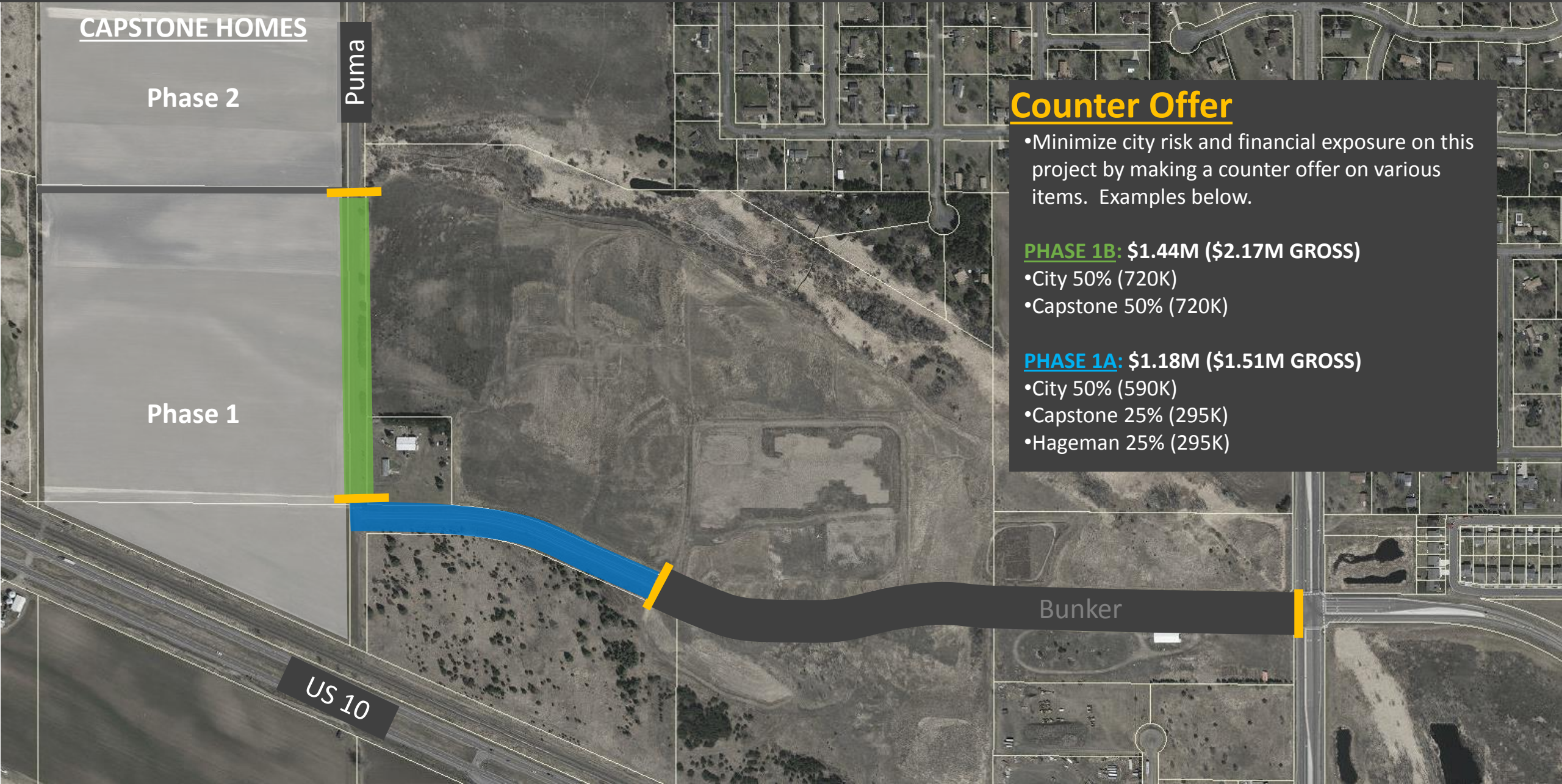
Benefits

- Deal is agreeable to Capstone Homes and Hageman Holdings (tentatively in concept).
- Would trigger roughly 350 unit residential development.
 - Help drive traffic and consumers to The COR. Help push required demographics for retail/ restaurants.
 - Trigger payment of significant development fees; and via park dedication fees--trigger preliminary development of new Alpine Park.
 - Allow for various new pedestrian connections.
 - Ramsey's inventory of major residential plats with land available is running low. This project would help sustain Ramsey's steady growth of single family residential product into the foreseeable future.
 - Capstone Homes is a respected, quality, Ramsey business.
 - Project appears to be a high-quality and well planned development that will be an asset for Ramsey.
- Would secure remaining arterial infrastructure needed for new Ramsey business park now (about half remains).
- Deal (60:40 split) is generally consistent with the Legacy Plat cost share for Bunker, Rhinestone in The COR, and Sunwood in The COR.
- The Ramsey EDA does have dollars available to fund this entire project upfront, no bonding (new debt) is necessarily needed.

Considerations

- The 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. Meaning, the City can achieve their primary goal without taking on this project today.
- Moving forward with Capstone's request could be considered risky, pre-mature, and speculative. The City would expending limited public dollars today to allow for 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 this investment look like to the public if there was?
 - Likely, if this project moved forward as proposed, Staff would suggest using EDA dollars to fund upfront project costs. This is because the City's new long term street maintenance program is creating a significant new debt burden for the City, and the City is also considering a new public works campus—which will increase the City's debt burden.
 - Staff would note, as proposed, this project would completely deplete the City's EDA dollars (\$2.75 July 2017). The City may want to retain those dollars for other economic development initiatives (community center, highway 10 clean up, business recruitment, parking ramp, etc.).

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.
 - Deal (50:50 split) is a slightly better financial position for the City of Ramsey (rather than the original 60:40 proposal). Would save the City about 200K in upfront project costs (13% less than original proposal).
 - From a financial perspective only, the City's financial advisor (Ehlers) would suggest taking this minimum step, if the City wanted to move forward with the Capstone proposal.

Considerations

- Same considerations as outlined in Alternative A. However, slightly mitigated.
- Perhaps, the City needs to dig further into this Alternative? Perhaps, we need to consider the "maximum" participation for the City? Perhaps, a new detailed cost-benefit study is needed?

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.
 - 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).
- If Capstone is willing to front all or a portion of project costs (rather than the city) that might change the conversation.

Considerations

- Generally opposite of Alternative A.
 - 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, 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 \$283K.
- 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.