

**ECONOMIC DEVELOPMENT AUTHORITY  
CITY OF RAMSEY  
ANOKA COUNTY  
STATE OF MINNESOTA**

The City of Ramsey Economic Development Authority (EDA) conducted a regular meeting on Thursday, February 9, 2017, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present:     Chairperson Jim Steffen  
                          Member Philip Brunt  
                          Member Brian Burandt  
                          Member Glen Hardin  
                          Member Chris Riley  
                          Member Wayne Skaff  
                          Member Kristine Williams

Members Absent:     None

Also Present:         Tim Gladhill, Community Development Director  
                          Kurt Ulrich, City Administrator

**1.     CALL TO ORDER**

Chairperson Steffen called the Economic Development Authority meeting to order at 7:30 a.m.

**2.     APPROVE AGENDA**

No changes were made

Motion by Member Skaff, seconded by Member Hardin, to approve the agenda.

Motion carried. Voting Yes: Chairperson Steffen, Members Skaff, Hardin, Brunt, Burandt, Riley, and Williams. Voting No: None. Absent: None.

**3.     APPROVE MINUTES**

**3.01:   Approve Meeting Minutes Dated January 12, 2017**

Motion by Member Riley, seconded by Member Hardin, to approve the January 12, 2017 minutes as presented.

Motion carried. Voting Yes: Chairperson Steffen, Members Riley, Hardin, Brunt, Burandt, Skaff, and Williams. Voting No: None. Absent: None.

**4.     EDA BUSINESS**

#### **4.01 Informational Interview: Kraus Anderson**

City Administrator Ulrich stated this case is a follow up to the EDA's ongoing discussion RE marketing strategies for The COR, and the sale of City-owned land. Staff met with Jaci Bell before the EDA meeting and she is prepared to answer questions from the EDA.

Ms. Jaci Bell, Director of Development, Kraus Anderson, was at the meeting to answer questions. She provided a handout to the EDA and reviewed the background on her company.

Mr. Dan Mossy, Krause Anderson was also at the meeting.

Ms. Bell stated one thing to note is Kraus Anderson is a family owned company. The projects they historically have worked on are owned. She stated there is a differentiation between Kraus Anderson as a developer and construction company from some others. They tend to buy and keep because they are supplementing their own owned portfolio. This is not the only format; it is just the historical format.

Ms. Bell reviewed projects in the packet that Kraus Anderson has done in the past and is currently working on.

Ms. Bell stated their general perception of The COR as a development project and what are Ramsey's strength and weaknesses. From a development perspective, some of Ramsey's strengths are that it is a transit-oriented development and she can tell there is a lot of heart in planning that has gone into The COR. She understood there is a desire to refresh the initiative to pushing things further along and really executing their vision and trying some different things. What she does not know is what Ramsey's partnerships have looked like to date and what they have leaned on each other for and how they have gotten there. She noted if they were working together, she would want to hear more about that and learn what has and has not worked well.

Mr. Mossy thought one of the biggest challenges from a demographics side of things is the river. They are kind of in between the river crossing access of Anoka and Otsego. When looking at a demographic study, it is done by a radius base and he thought it made some sense to alter that and go north up to Nowthen and touch on St. Francis and northern Andover, which would be The COR retail shoppers and the City of Ramsey and the residents who reside there are the everyday retail shoppers. He has noticed a little bit more activity as he came into The COR area along Ramsey Boulevard. There are a number of employers that are growing that way and from a retailer's perspective; daytime population for a restaurant is an important number for them to look at. He thought the City might want to hone in on the demographics a little more and present that in a more appropriate fashion to some retailers that are out there. He stated a lot of retail is tenant driven so if they could get a strong anchor, that would be the most important step to take, which will bring other tenants and shoppers into the market.

Ms. Bell stated when they brought up market study, it is something they have not done in Ramsey and have not released any work as far as a market study. She understood Ramsey has done this to some degree but it is something that Kraus Anderson would do as a first step in any project and it

is a very important step. She stated they do market studies. Market research and analysis is a super important part in knowing what is realistic. The content of this helps them to determine and understand what can be focused on. If retail is already saturated in other areas, then hopefully this will start to tell them where their opportunities will be. What are Ramsey's strengths and what can they draw from them, and a market study will help with that.

Member Riley asked if Ramsey brought Kraus Anderson onboard would a market study be one of the first things they would do or is this something the City should do now.

Ms. Bell indicated she did not know what the City's processes are so what she was saying was she valued market studies. She stated Ramsey indicated loosely that they were looking for more information and want to move forward in new and different ways but have not totally identified what an RFP would look like or if they even want to do an RFP or if they want to establish a relationship first and then chip away at working with something together. She stated if Ramsey were to do an RFP, she would prefer that they were prepared for it and have conducted that study in advance and would help her get off the ground quickly if their RFP timeline is really short because then she would know what they were looking for and it has a basis in xyz. If the City does not do that, then she needs the RFP to be long because she will have to gain partners and she has to look at a FIT study. She will have to get architects and will need to pull a team of people together and spend a fair amount of money to come up with her own findings, which Ramsey will have to trust and she would need a little more time for that.

Ms. Bell stated in regards to item four, strategies, none of them are bad for Ramsey but the last one, constructs speculative buildings, is the only one they generally do not do because of the basis Kraus Anderson already explained to the EDA. She thought many developers have strength in all of these different categories and knowing that Ramsey could break it out to work with different developers may bring something different to the table as it relates to how they are going to purchase or finance any given portion of it. She thought flexibility was great in that regard.

Ms. Bell stated the primary for Kraus Anderson would be typically purchasing and leveraging the asset to the best of its ability over time. For larger projects, they are now more than ever collaborating with other people.

Member Riley asked for clarification if Kraus Anderson would rather purchase the entire area and then develop it.

Ms. Bell indicated this is what Kraus Anderson has historically done in the past. She stated that getting to a deal structure standpoint would infer that she knew what the offering was and infer that she knew what the build is and she did not.

Member Williams stated this could be answered any way and the deal structure could have any type of details depending on the specifics and what the City wants.

Ms. Bell stated that was correct and there was not enough information to begin to hint at a deal structure.

Member Riley asked how long should the RFP process be.

Ms. Bell stated it depends on what the City is looking for.

Member Riley asked Ms. Bell to talk about the possibility of purchasing the property, how much Kraus Anderson would involve the City and their vision for the property and also how else Kraus Anderson would work with the City, another format that would keep the City vision and City control a little bit more.

Ms. Bell stated this is a tough one to answer because Kraus Anderson has not done any studies or FIT tests on it. She understood the City has a vision of strong retail draw so assuming this would be the only thing Kraus Anderson could do is retail she would let the City know they will have a hard time getting off the ground because her gut feeling is that is probably too much. She would want to do a market study to see how saturated the context, where is the draw. It is not a perfect circle or ring that crosses geographic border. It has to be realistic. It is an uneven line that goes all over the place. That begins to tell her how much retail can fit in an area. She did not know the way this market is drawn if it can support a large box retailer so she would need to find out what this market can support and what are the complimentary categories the City may not have thought of or could use more of. She would love to be able to execute the City's vision as they see it. She noted this is an informational study and she was not sure they were there yet.

Ms. Bell thought flexibility was important and in everyone's best interest to succeed. She stated Ramsey needs to know its own market and always think about sustainable needs and to be open-minded.

Chairperson Steffen stated Ramsey's land has been for sale for a few years and Kraus Anderson has not made an offer on the land, which tells him there is something off, price or positioning.

Ms. Bell stated that is true but Kraus Anderson has been in a different mode as a company for a long time. She stated construction has been a leader and development has been more ancillary. Their clients are the key and Kraus Anderson does not market or typically go after business. They typically have repeat clients so those relationships are well worn so the need to go out and look for and the need for people to find them is less. She added their development company is less than a year old – their strategy is different.

Chairperson Steffen asked if Kraus Anderson did not have ownership interest, would they work on some sort of consulting arrangement with the City and would their compensation be some sort of retainer, or project based or results based.

Ms. Bell stated this would be scope based; what are Ramsey's needs and how do they want to scope it. There is no definitive answer. It could be fee based.

Kraus Anderson left the meeting.

Member Williams thought they might have some of the answers already to the questions through past market studies but did not know how to interpret the market studies.

City Administrator Ulrich indicated the representatives for item 4.02 were not at the meeting yet and suggested they move item 4.03 to be discussed next.

#### **4.03: Consider Request from Ramsey Business for Use of EDA Revolving Loan Fund**

City Administrator Ulrich stated the EDA is asked to consider the request from Ramsey Business for use of EDA Revolving Loan Fund, \$72,500 EDA loan amount, 5% of project costs (\$1.44M), 10-year term, and 3% interest. This case came to the EDA/Council for the first time in January 2017. At the time, the EDA/Council, provided the following direction to American Print & Digital: (1) an exception to the City's minimum owner equity would be allowed for American Print & Digital, from 10% to 5%, and (2) authorization to formally apply for the use of the EDA Revolving Loan Fund.

City Administrator Ulrich stated the intent of the EDA RLF program is to provide gap financing in situations in which conventional/normal financing is not available for small/medium sized businesses, to make good projects "GO". He stated Mr. Mike Mulrooney is at the meeting and has done the credit analysis for the company they are considering for an EDA revolving loan.

Member Hardin indicated he would be abstaining from discussion of this project.

Mr. Mulrooney reviewed the applicant and project with the EDA.

Chairperson Steffen asked in regards to the Revolving Loan Fund deals if, in the past, they have always had sufficient collateral or have they done unsecured loans.

Mr. Mulrooney indicated this deal is a little different from what they have done in the past. In the past, they have had the Revolving Loan Fund be involved in a structure where it is ninety percent loan to value basis and there is sufficient collateral. This one is really a true gap financing. There is a lack of liquidity on the part of the borrower, which prompts the borrower to look for other sources to meet the equity requirements for the SBA 504 loan package.

Chairperson Steffen indicated he did not recall a deal in the past where the City was third in line and part of a real estate package.

Mr. Mulrooney stated this loan was set up initially using this structure. Other loans are typically structured that way. The policy states that there is a required minimum ten percent equity. In this particular case, to achieve all that is involved here, there are improvements to the building that when getting into appraisals do not give much value for fixing issues and that is where problems arise in a funding standpoint.

Chairperson Steffen asked if home equity would be available to the lenders in the first or second position.

Mr. Mulrooney stated the City would be in the second position because there is a first mortgage on the property now so anyone looking for additional collateral in the home would have to take a junior position to the Ramsey Revolving Loan Fund or ask for a subordination.

Member Riley suggested if the EDA does approve this that it be contingent upon approval from the bank and SBA.

Mr. Mulrooney agreed and stated from a funding standpoint this is going to be a little trickier also. Typically, the Revolving Loan Fund is used as a permanent or take out financing and in this particular case; it will have to go in on the front end because it is being viewed as equity in the transaction. They would not fund until they are sure the deal is going to close and all of the other funding sources are in line. He recommended that from a credit standpoint, it meets the standards set forth in their current policy and if the EDA moves forward with approval to make sure it is contingent that all the other loans are approved as well.

Chairperson Steffen asked if the collateral would be on his home.

Mr. Mulrooney stated he was offering that up for consideration as a way to secure the loan.

Motion by Member Skaff, seconded by Member Burandt, to approve the draft loan agreement with American Print & Digital for \$72,500; contingent that all the other loans are approved as well as securing a second mortgage on the house and subject to final review and amendments by the City Attorney.

Further Discussion:

Member Riley stated they have these funds to be used and he thought this was a good use of it to be bringing in jobs and fixing up a building. He stated this does put the City in a funny position where the City is now acting like a bank. He thought they needed to be prudent with their money because these are City funds. He sometimes questions how much sense it makes to put a lien on the home and where that puts the City between being prudent and causing issues but if the borrower does not object then he does not object.

Chairperson Steffen asked who owned the building and asked if it was vacant.

Mr. Mulrooney stated the real estate is listed as other real estate owned so it is owned by a bank and vacant from his understanding.

Motion carried. Voting Yes: Chairperson Steffen, Members Skaff, Burandt, Brunt, Riley and Williams. Voting No: None. Absent: None. Abstain: Hardin.

#### **4.02: Information Interview: IAG Commercial**

City Administrator Ulrich stated this case is a follow up to the EDA's ongoing discussion RE marketing strategies for The COR, and the sale of City-owned land.

City Administrator Ulrich stated staff met with Jeff LaFavre and Brian Beeman before the EDA meeting and are prepared to answer questions.

Mr. Jeff LaFavre, Owner/President, with IAG Commercial and Brian Beeman were at the meeting.

Mr. LaFavre and Mr. Beeman both reviewed with the EDA their background and history of and with IAG Commercial.

Mr. LaFavre stated they are working hard to build IAG Commercial. Their employees bring a nice mix and allows them to provide services that are more comprehensive. He stated they do a lot of brokerage business and work well when there is a demand.

Mr. LaFavre stated their firm is smaller and more hands on. They have worked with large cities and local governments. He reviewed their work that has been done with the City of Minneapolis.

Mr. LaFavre stated they have done a lot of master planning of campuses for companies such as Blue Cross Blue Shield, Imation, Med Con and others. They have talked to many cities like Ramsey and are familiar with the questions. He stated in working with cities they need to put a plan in place that is a little more flexible based upon the demands of the marketplace. They have a lot of advisory work experience.

Mr. Beeman indicated they have done many large projects. They are very nimble and can customize the business plan with a strategic real estate plan. He noted they have had many large clients and projects which is impressive for a smaller company.

Mr. LaFavre stated the biggest thing for them is so many of their clients say there is a role for the brokerage component being provided but sometimes more is needed because they don't know where they are going and don't know how to move it forward. Their clients have indicated they need more of the advisory component that IAG Commercial brings to the table. Their background in finance and in the development side and in the corporate side has helped them a lot in that whole process. He stated his personal experience in running companies has been very helpful for him to relate to senior management of companies and to think more strategically.

Member Riley asked what would "advisory" mean to Ramsey that IAG Commercial could provide.

Mr. LaFavre stated it means different things to different people and to them it means non-commission related which falls into an advisory bucket. Sometimes that might mean strategic real estate planning, sometimes it might be coordinating a master plan and sometimes that might be running a financial analysis for somebody because they are not sure what to do. There is a component that is not always a transaction component that falls into their advisory bucket.

Mr. Beeman stated they are not a pure brokerage firm. They are more of an all-encompassing property management company. They find business partners, people who make the project happen, and manage the projects so they are not just a marketing firm. They are more of an all-encompassing business that matches the business plan with a corporation and matches a strategic plan that is customized, whether it is phases or if they need to dispose of land or develop the land.

Whatever it is, they help to customize the plan to that specific corporation. He stated this is a little different approach than their typical brokerage firm and all of the employees in the firm have a different specialty that they focus on.

Mr. LaFavre stated in regards to question three, the hot issue now is the Millennials. Everyone wants to live where they work so the hot areas are downtown areas. What is happening is the older Millennials are now building families and want to move out further to the suburbs to work, live and have their children educated and they want a high-density location where they can walk and bike to close amenities like they had in the city. Many cities are talking about creating more density with a downtown core area and Ramsey currently has that. They need to have a long-term strategy plan and he thought the role of Government was to create the vision and then remove the barriers to make that happen. He stated Ramsey has already created the vision but needs to expand on it which can be discussed further. He thought the COR is well positioned to where the millennials and the next generations are going and he thought that was extremely important. He thought the other thing too is in these core areas, there is a lot of sense of community. For the COR to be successful, you need to think about cradle to grave. You cannot think about just one sector because a healthy community caters to the whole community, all ages.

Mr. LaFavre thought as far as strengths of Ramsey is the fact that there is energy behind the commissions in Ramsey and there is a lot of community pride to make a difference. He stated the other positive is Ramsey has a clean slate which will make it easier to make the vision come to life. He stated as far as weaknesses, there is still some hangover in the community of the things Ramsey went through before. People who are close to it know the professionalism of the City Council and the other groups here today but they also know the challenges the community had in the past. For better or for worse there is some of that out there and when he talks to some of the developers he knows they put up a red flag. He thought that would change as the City continues to do what they are doing but that also creates a little bit of a distraction as they try to recruit and talk to people. He stated another weakness is that Ramsey is smaller but growing and developers are focusing now on bigger opportunities where the demand equation is clearly defined. In Ramsey, there are smaller opportunities. Many of the large developers are going to say that they cannot clearly define the demand equation and it is too small of a project to focus energy on. He thought there would be smaller developers that will make a lot of this happen which will mean there will be a lot more hand holding and a lot more help will be needed to put financing together, etc.

Mr. LaFavre stated in regards to marketing they have a well-defined corporate base in Ramsey, which is a positive, and they want to continue to mold that. The ability to attract large corporations into this area is going to be difficult because most of the companies that want to be in Ramsey are already here so they want to continue to cultivate the businesses that are here. He thought it would be interesting to think about an incubator concept and try to do something that would allow small businesses to really thrive and start up here, people who are already living in this area that have a passion. The City has had great success with medical and there is nothing really set aside area for that. He wondered with the growth of medical if they should rethink The COR a little bit and put more of a medical component in there that is more defined and centralized which will allow some room for growth. Medical clients like to be close to one another.

Mr. Beeman thought maybe The COR could be more diverse and think about features for seniors. He also thought something could be done with the website to make it easier to direct people to what they are looking for. He thought if they could reach out to all of the different kinds of developers that would be ideal. They cannot create demand but they can make people aware and attract the specialty businesses to the area and it should be done in phases.

Mr. LaFavre stated the City's best marketing tool is the residents of Ramsey. He thought they should use social media and blast the positive things going on in the City. This will attract more people and small businesses into the area.

Mr. LaFavre stated in regards to retail land, more retail will be moving to the internet and he thought The COR had too much retail land at this time. He stated the online market has changed the retail world and is the storefront of the future. He thought that The COR retail area would need to be service oriented. The people that live there are people that will need retail services and those types of businesses will survive in The COR area. He stated right now multi-resident housing is the popular thing but it could change in the future and the City needs to be flexible with what the market demands at the time.

Mr. Beeman stated many people want mixed use and that seems to be the trend but it only works in certain pockets of the Metro and they have to have the demand. It is very difficult to create without the demand.

Chairperson Steffen asked if IAG Commercial were hired by the City what would they do for the City.

Mr. LaFavre thought they would first need to sit down with the EDA and see what they want accomplished. From their perspective, what they have learned over the years is that the people who have the best answers as to what should be done are the people that are closest to the problem. They would like to gather the information as quickly as they can in order to form a plan. The COR plan the City has needs to be reviewed and discussed and it would be really nice to create a vision with partners that want to work with the City. They would like to feature the amenities in The COR and work in entertainment features around the water features already there. He would really like to understand the affordable housing feature better. It is nice to have but needs to be managed well. They need to come up with a master plan and define it. He stated they try to maximize what the client gets for their dollar so IAG Commercial would also become the broker of the land.

Chairperson Steffen stated the City wants to sell their land and get out of the developer business as quickly as possible so how will IAG Commercial advise them to do that.

Mr. LaFavre stated IAG Commercial is a non-profit so they will need to find a compensation plan that gets the City what they want and also gets the benefit of the commission structure and tie the two together a little more. He stated they are only as good at selling the land, as there is demand for the land.

IAG Commercial representatives left the meeting.

**5. MEMBER / STAFF UPDATE**

The EDA reviewed the Staff Update.

**6. ADJOURNMENT**

Motion by Member Skaff, seconded by Member Steffen, to adjourn the meeting.

Motion carried. Voting Yes: Chairperson Steffen, Members Skaff, Brunt, Burandt, Hardin, Riley, and Williams. Voting No: None. Absent: None.

The regular meeting of the Economic Development Authority adjourned at 9:25 a.m.

Respectfully submitted,

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Kurtis G. Ulrich  
City Administrator

ATTEST:

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Patrick Brama  
Econ. Dev. Mgr/Assistant City Administrator

Draft by Sue Osbeck  
*TimeSaver Off Site Secretarial, Inc.*