

**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, June 13, 2019, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Jim Steffen
 Member Glen Hardin
 Member Dominic Kanaventi
 Member Mark Kuzma
 Member Chris Riley

Members Absent: Member Shang Berg
 Member Brian Burandt

Also Present: Sean Sullivan, Economic Development Manager
 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

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

Motion carried. Voting Yes: Chairperson Steffen, Members Hardin, Kanaventi, Kuzma, and Riley. Voting No: None. Absent: Members Berg and Burandt.

3. APPROVE MINUTES

3.01: Approve Meeting Minutes Dated April 11, 2019 and May 9, 2019

Motion by Member Hardin, seconded by Member Kuzma, to approve the April 11, 2019 and May 9, 2019 minutes as presented.

Motion carried. Voting Yes: Chairperson Steffen, Members Hardin, Kuzma, Kanaventi, and Riley. Voting No: None. Absent: Members Berg and Burandt.

Motion by Member Hardin, seconded by Member Kuzma, to approve the April 11, 2019 and May 9, 2019 minutes as presented.

Motion carried. Voting Yes: Chairperson Steffen, Members Hardin, Kuzma, Kanaventi, and Riley. Voting No: None. Absent: Members Berg and Burandt.

4. EDA BUSINESS

4.01: Consider Recommendation to Establish TIF District 17, Adopt TIF Plan and Approve TIF Agreement for Delta Mod Tech; Case of SLP EX, LLC and AMP EX LLC

Economic Development Manager Sullivan presented the staff report.

Jason Aarsvold, Ehlers, stated that he worked with the Developer and City to determine the amount of TIF that could be available for this project. He noted that the original assistance request was for \$1,500,000. Based on negotiations with the Developer, the amount of \$972,000 is being brought forth for consideration by the EDA. He noted that the provision TIF was a deciding factor in selecting this site in Ramsey, compared to sites reviewed in other communities. He indicated that the analysis conducted by Ehler's meets the "But For" test. He provided details on the cash on cost analysis that was completed, noting that generally he would like to see seven to nine percent within this industry. He noted that with the \$972,000 in assistance the rate would be rate of return of 8.42 percent and falls within the suggested range. He stated that providing this assistance will help facilitate the project on this site and would not unduly enrich the applicant.

Chairperson Steffen stated that this seems to be three tenths of a percent annually and asked if that would be enough to "move the needle" for a business.

Mr. Aarsvold stated that for a business this can help level the playing field in choosing between this site and a site in another community.

Chairperson Steffen noted that a statement was made that the applicant would not have chosen this site but for the TIF and asked for additional details.

Mr. Aarsvold noted that the incentive was the driving factor in choosing this site over sites in other communities.

Chairperson Steffen referenced the plat, which shows additional pads and asked for details.

Community Development Director Gladhill stated that would be future development by the ownership group. He noted that ultimately Delta Mod Tech would be a tenant from the two investment companies.

Chairperson Steffen asked if a future expansion for Delta Mod Tech would be connected to the building or it would occur to the north.

Evan Schiebout stated that they have built in the ability to expand office and manufacturing onto the proposed 210,000 square foot building to the east. He provided details on the expansions that

have occurred on their site in Coon Rapids, noting that should they have a continued need they would mimic that development pattern. He estimated a ten month build cycle, noting that they would like to begin construction in August. He confirmed that the existing employees and new employees would occupy the site.

Member Riley stated that this discussion is regarding TIF and asked if TIF is being used for the construction of this building or to purchase the additional land for future development.

Economic Development Manager Sullivan stated that the total land purchase has a cost of \$3,600,000, but the TIF is prorated based on the size of the lot with construction and is not spread across the entire parcel purchased.

Member Hardin referenced the business assistance application, which requested \$1,500,000, and asked if the gap has been identified between the requested amount and amount proposed to be provided by the City.

Mr. Schiebout stated that the gap would be covered by the Developer. He noted that although the TIF is not the amount requested, it was still enough to tip the scale to choose this site.

Member Kanaventi asked the estimated length of time for the 15 additional jobs to be created.

Mr. Schiebout replied that the timeline is within two years but estimated that time period would be shorter based on their current demands.

Economic Development Manager Sullivan stated that the job creation can begin once the agreement is approved by the City Council and executed. Any jobs added after that point would count towards the 15 required by the proposed agreement.

Member Hardin asked for details on the benefit date.

Economic Development Manager Sullivan clarified that the benefit date is the completion of construction.

Chairperson Steffen stated that this is a great project that he is excited about.

Councilmember Riley stated that the proposed assistance is pay-as-you-go, which does not cost the City money upfront and is a benefit. He noted that this project fits well within the EDA mission and priorities of the City Council. He stated that this would bring jobs and is the first business being developed in the business park (north of Bunker Lake Boulevard). He noted that there are unpaid special assessments on the parcel relating to development of the Bunker Lake Business Park that would be paid with if this project moves forward. He stated that he is supportive of this project based on those reasons.

Motion by Member Hardin, seconded by Member Kuzma, to recommend to City Council to adopt a resolution approving the modification to the Development Program for Development

District No. 1, Establishing Tax Increment Financing District No. 17, and approving the Tax Increment Financing Plan, subject to City Attorney Review.

Motion carried. Voting Yes: Chairperson Steffen, Members Hardin, Kuzma, Kanaventi, and Riley. Voting No: None. Absent: Members Berg and Burandt.

Motion by Member Hardin, seconded by Member Kanaventi, to recommend to City Council to adopt a resolution authorizing execution of a Tax Increment Financing (TIF) Agreement awarding a business subsidy of \$972,000 and requiring the creation of 15 new jobs with minimum wages of \$22 per hour, subject to City Attorney review.

Motion carried. Voting Yes: Chairperson Steffen, Members Hardin, Kanaventi, Kuzma, and Riley. Voting No: None. Absent: Members Berg and Burandt.

4.02: Review Real Estate Management Strategy for City Owned Land

Economic Development Manager Sullivan presented the staff report. He stated the listing agreement with CBRE under consideration includes only parcels within The COR.

Chairperson Steffen asked if any properties west of Armstrong would be included.

Economic Development Manager Sullivan noted that those parcels would not be included and only parcels within The COR would be included in the CBRE agreement. Parcel 45 is west of Armstrong but is currently under contract.

Chairperson Steffen asked if individual parcels could be removed if desired.

Economic Development Manager Sullivan confirmed that individual parcels could be removed if desired with a 30-day notice. He noted that he is proposing a six-month contract and would give the City time to evaluate how the new contract is working. He stated that under the current proposal the commission rate would be reduced from five percent to three percent if the City brings forward the lead.

Councilmember Kuzma noted that Ramsey is competing with other cities for land sales and development and did not want to drive the commission down too low, as the broker or developers would most likely go where they can earn commission. He noted that this is a competitive market and the City should be mindful of the going rates for commission.

Economic Development Manager Sullivan stated that the commission rate would remain at five percent for CBRE involved sales, while the reduced rate would only come into play for staff generated leads. He noted that even on staff generated leads, CBRE has put effort into marketing prior to that time.

Brian Pankratz, CBRE, provided input on how commission is split when two brokers are involved. He noted that CBRE splits the commission rate 50/50.

Member Hardin asked if there is any situation where the City would pay more than seven percent when there is a second broker involved.

Mr. Pankratz stated that the agreement specifies five percent when only CBRE is involved or seven percent if two brokers are involved. He stated that if a second broker requested additional commission, that request would need to go before the City.

Economic Development Manager Sullivan stated that he would not recommend paying additional revenue above the seven percent and therefore that additional request would need to be added to the purchase price.

Member Hardin noted that a second broker could actually come within CBRE and in that situation the seven percent is being split by two CBRE brokers. He noted that under this contract a longtime developer within the City would need to contact CBRE to negotiate and asked if that is the intent of the City.

Economic Development Manager Sullivan stated that would not be the intent. He explained that although the City is paying CBRE for those services, the City can still generate leads.

Mr. Pankratz explained that the intent is to allow the City to utilize the market knowledge and resources of CBRE for all negotiations.

Member Hardin stated that if that is not the intent perhaps the language should be changed. He stated that he met with staff following the last meeting to express his concerns but was frustrated that his concerns did not appear to be addressed.

Economic Development Manager Sullivan stated that following the discussion with Commissioner Hardin he informed him that his concerns should be brought forward at this meeting in a public forum to support transparency in the process. That is why the changes were not incorporated into the proposed listing agreement. He noted that he appreciated that comments and suggestions that Commissioner Hardin had made.

Chairperson Steffen stated that it appears this language would be standard in most CBRE contracts.

Mr. Pankratz confirmed that this is standard contract language, with some items specific to Ramsey. He noted that CBRE is working with the City as a team in attempt to market and sell land and thought the relationship has ran smoothly.

Economic Development Manager Sullivan referenced parcel 45, which has a sales price of \$600,000. He stated that the City is completing a land swap on the properties, which will still result in a loss of \$15,000 for the City. He noted that technically CBRE could take a commission on that transaction but is not requesting a commission. He stated that the willingness to add language to call out City generated leads is not something in a typical contract.

Community Development Director Gladhill stated that if that paragraph is of concern, the EDA could make a recommendation to correct that paragraph and staff would work with the City Attorney prior to this moving forward to the City Council.

Chairperson Steffen stated that most likely that paragraph has remained in the contract for the past five years.

Member Kuzma stated that CBRE has put a lot of work in during the past five years and there has been success with the growth of The COR. He attributed a lot of that success to what CBRE brings to the table. He stated that he will support extending the contract for an additional six months.

Member Riley stated that a few years ago this got off to a slow start and the City perhaps paid commission on City generated sales. He noted that changes have been made over time to address that issue. He stated that the City should be willing to pay for services rendered when there is a need. He stated that selling land is a huge priority for him. He believed that this agreement meets all the needs of the City.

Chairperson Steffen agreed that he also likes the split of CBRE handling COR properties and the City handling properties outside The COR. He noted that he believes the six-month contract provides flexibility.

Motion by Member Kanaventi, seconded by Member Kuzma, to recommend to City Council to approve the draft contract dated May 2, 2019.

Further discussion: Economic Development Manager Sullivan noted that he would ensure the contract language is changed to specify six months. Mr. Pankratz stated that the contract could be structured for six months or could be written that after six months the contract could be canceled with 30-day notice but could run through one year. Economic Development Manager Sullivan stated that he would recommend a six-month period. Member Riley asked if the paragraph 6 in question should be restructured. Economic Development Manager Sullivan noted that he could have the City Attorney review that language to ensure that the concerns were addressed relating to City generated leads.

Motion by Member Riley, seconded by Member Kuzma, to amend the motion to recommend to City Council to approve the draft contract dated May 2, 2019, pending a review of the language related to exclusive clause 6, pending City Attorney review.

Motion carried. Voting Yes: Chairperson Steffen, Members Riley, Kuzma, and Kanaventi.
Voting No: Member Hardin. Absent: Members Berg and Burandt.

5. MEMBER / STAFF UPDATE

Economic Development Manager Sullivan provided an update on a recent conference that he attended. He indicated he made many contacts with restaurant and retailers. He received positive feedback from retailers and restaurants he met with regarding the City marketing materials.

6. ADJOURNMENT

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

Motion carried. Voting Yes: Chairperson Steffen, Members Hardin, Kanaventi, Kuzma, and Riley. Voting No: None. Absent: Members Berg and Burandt.

The regular meeting of the Economic Development Authority adjourned at 8:27 a.m.

Respectfully submitted,

Sean Sullivan
Economic Development Manager

ATTEST:

Wendy Schlueter
Economic Development Administrative Assistant

Draft by Amanda Staple
TimeSaver Off Site Secretarial, Inc.