

**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, January 9, 2020, at the Ramsey Municipal Center, 7550 Sunwood Drive NW, Ramsey, Minnesota.

Members Present: Chairperson Jim Steffen
 Member Brian Burandt
 Member Scott Cords
 Member Mark Kuzma
 Member Chris Riley

Members Absent: Member Glen Hardin

Also Present: Sean Sullivan, Economic Development Manager
 Tim Gladhill, Deputy 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 Kuzma, seconded by Member Burandt, to approve the agenda.

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

3. APPROVE MINUTES

3.01: Approve Meeting Minutes Dated November 14, 2019

Motion by Member Riley, seconded by Member Kuzma, to approve the November 14, 2019, minutes as presented.

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

4. EDA BUSINESS

4.01: Consider Purchase Agreement and Preliminary Tax Increment Financing (TIF) Agreement Structure for Part of Outlot A, COR Stone Brook Academy; Case of Cobblestone Hotel Development, LLC (Portions may be closed to the public)

Economic Development Manager Sullivan presented the staff report.

Member Kuzma asked if the funds recouped through TIF for the purchase of the land would be restricted.

Economic Development Manager Sullivan explained that the funds recouped for the purchase price would go back into the City's fund used to originally purchase the land within The COR.

Jason Aarsvold, Ehlers, stated that Ehlers reviewed the proposal including development costs, operating costs and returns on investment, noting that all the numbers fall within the expected range. He stated that the land write down would still provide a return on investment below what would be expected for a hotel in this market. He stated that a recommendation in his memorandum would include a lookback period to ensure that project costs were as presented and that the actual rate of return still fell within industry standards. He stated that the hotel would generate about \$45,000 annually into the TIF District.

Chairperson Steffen asked for additional input on the lookback period.

Mr. Aarsvold provided additional details relating to a possible lookback provision for project costs and stabilized performance. He stated that once the project is completed and up and running, you could look back to ensure that the project cost as much as projected to develop. He stated that another way would be to review the returns on investment once stabilized. He stated that the lookback provision could then include adjustments. He stated that the projected returns are well below the market.

Member Burandt asked how common it is to use TIF to assist in hotel financing.

Mr. Aarsvold stated that Ehlers has participated in several TIF deals with hotels, especially further outside of main cities such as Minneapolis.

Economic Development Manager Sullivan stated that staff is looking to find the comfort level of the EDA related to the proposed deal. He explained that the TIF agreement will come back to the EDA for final approval, which will then include the negotiated agreement that could include a lookback provision.

Chairperson Steffen asked if 60 percent occupancy is a general goal for hotels when starting out.

Mr. Aarsvold stated that they would generally like to see that above 68 percent but believed that to be in line with the market.

Economic Development Manager Sullivan explained that the land cost write down through TIF is only a small part of the owner equity, as the developer is bringing an additional \$2.6M cash to the deal.

Brian Wogernese, Cobblestone Hotel, provided additional details on the Cobblestone Hotel brand including hotels that some are owned and managed by the company and others that are franchised. He stated that the proposed hotel in Ramsey would not be a franchised, Cobblestone would remain the owner and operator. He noted that the restaurant component would be Wissota Chophouse.

Chairperson Steffen asked why Ramsey was selected and what was special about this site.

Mr. Wogernese stated that his brand is not looking to enter into a market like Minneapolis. He stated that Cobblestone is a smaller hotel, which serves as a mini full-service hotel. He noted that this would provide an opportunity for people from out of town to stay in Ramsey when visiting local businesses. He stated that they constructed this exact hotel five times already, so with the exception of land/utilities/earth work they are confident in the construction costs.

Chairperson Steffen asked how the decision is made as to whether the company keeps the hotel or franchises it.

Mr. Wogernese stated that as long as the restaurants are a component, Cobblestone remains a controller of the site, even if they sell a majority of the shares. He stated that they currently have five of the Wissota Chophouse restaurants.

Member Riley asked for additional description of the photographs provided and the restaurant component, as the restaurant is a desired amenity in Ramsey.

Mr. Wogernese provided additional input on the ala cart steakhouse style restaurant which would also have a shareables component. He stated that would allow a fine dining component but would also service happy hour visitors with a patio and firepit. He stated that the restaurant would only be open for dinner and the hotel would provide a complimentary breakfast to guests.

Chairperson Steffen asked for details on the quasi-public pool amenity.

Deputy City Administrator Gladhill stated that it would be an amenity of the hotel but would not be for general public use.

Chairperson Steffen asked if the land write down is a typical tool used by the hotel.

Mr. Wogernese confirmed they have used that tool in the past. He stated that they are required to bring 40 percent equity to the deal in order to obtain the desired financing and the land write-down helps get them to that number.

Chairperson Steffen asked if the rate of return figures stated by Ehlers meet the benchmarks of the developer.

Mr. Wogernese confirmed that he worked with Mr. Aarsvold on those.

Member Riley stated that on the past few TIF deals the City received payment from the development and then released funds back to the developer over time, whereas this would seem to be the reverse.

Economic Development Manager Sullivan confirmed that some of the past projects issued a TIF note to the developer, where the developer obtains payment over time. In the proposed deal with Cobblestone, the City would in effect receive a note in the form of a TIF Agreement which would allow the city to receive full payment for the land over time. He estimated that it would take 9-10 years of tax increment revenue to pay for the land. A Minimum Assessment Agreement would be executed as part of the TIF agreement assuring a minimum value to have a controlled revenue stream.

Member Cords stated that the City already owns this land and therefore there would not be a cost to the City, the City would just receive payment for the land over time.

Economic Development Manager Sullivan confirmed that the City already made the purchase of the land in 2009 and therefore no additional funds would be spent on the land.

Chairperson Steffen stated that he likes the project as there has been a desire for this type of hotel and restaurant product within The COR.

Member Kuzma stated that the location next to the train station will also be convenient for customers of the hotel.

Member Burandt stated that this meets the goals of selling land, adding lodging and bringing a restaurant to The COR.

Motion by Member Brandt, seconded by Member Kuzma, to recommend to City Council to approve the Purchase Agreement and Preliminary TIF Agreement Structure for part of Outlot A, COR Stone Brook Academy, subject to City Attorney approval as to legal form.

Further discussion: Member Riley echoed the comments that this project meets multiple goals of the City. Member Cords stated that he also likes the idea and the addition to The COR. He asked the projected timeline for breaking ground. Economic Development Manager Sullivan stated that in discussions with the developer, they would anticipate breaking ground in 2020, perhaps in June or July. Mr. Wogernese estimated a ten-month construction period once they break ground.

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

4.02: Authorize 2020 Annual Ramsey EDA Business Expo Budget

Economic Development Manager Sullivan presented the staff report.

Chairperson Steffen asked if the City contribution should be lowered rather than lowering the price from \$60 to \$50 for Ramsey businesses to participate.

Economic Development Manager Sullivan explained that could be done but the thought that the cost savings should be shared with Ramsey businesses.

Chairperson Steffen referenced the cost of the balloon artist and asked if that is necessary.

Economic Development Manager Sullivan explained that activity was very popular for children and recommended keeping it.

Member Riley confirmed that the balloon artist activity was very popular the previous year. He stated that he also likes that the EDA contribution was reduced and does not have a problem with the business fee being lowered as well.

Member Cords asked if the waiting list from the previous year fills the amount of available space.

Economic Development Manager Sullivan stated that by moving to Adrenaline Sports they were able to increase from 45 to 61 stalls. He stated that this year's layout will be reduced by one booth in order to make the City booth more effective and increase the flow.

Motion by Member Kuzma, seconded by Member Cords, to authorize the proposed budget for the 2020 Ramsey EDA Business Expo.

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

4.03: Receive 2019 Business Retention and Expansion Presentation

Economic Development Manager Sullivan presented the staff report and the 2019 Business Retention and Expansion Report.

Chairperson Steffen suggested that staff send out a schedule of upcoming visits which could allow interested EDA Members to attend business visits, if desired.

Chairperson Steffen noted that it seems that the majority of the areas proposed for improvement in the BR&E report are out of City control. He asked if there are instances where a concern is brought forward that staff can address.

Economic Development Manager Sullivan confirmed that there are some items or questions that staff can be addressed after a business visit. He noted that other areas of follow up include possible assistance the City can provide.

Member Cords stated that he enjoyed the visit that he attended. He stated that this seems to be a good method to gain input that is normally not shared with the City or staff and to build relationships with Ramsey businesses.

Economic Development Manager Sullivan agreed. He stated that he encourages businesses to share any concerns and thoughts they may have, whether positive or negative.

Member Riley stated that business visits are important and are a part of the City's strategic plan and EDA's workplan.

Economic Development Manager Sullivan reviewed the proposed 2020 business visit list.

Member Cords asked how many companies reported that they would be closing, as the statistic was eight percent. He also asked the reason the company/companies would be closing.

Economic Development Manager Sullivan stated that he would not share the business that would be closing but noted that the company he spoke with has issues with competition for workforce and competition within its own market. He reported that the statistic of eight percent represented one company out of those visited in 2019.

5. MEMBER / STAFF UPDATE

The EDA reviewed the Staff Update.

Economic Development Manager Sullivan indicated that after the meeting staff will be meeting with someone from the United States Post Office I Minneapolis in attempt to obtain a Ramsey zip code.

Deputy City Administrator Gladhill advised of a joint worksession on February 11th between the City Council and Planning Commission related to proposed residential development projects.

Chairperson Steffen commented on the self-storage project under construction, which is a substantial building and asked for input.

Deputy City Administrator Gladhill noted that is one of two self-storage projects under construction at this time. He noted that project is more visible near Bunker Lake and Ramsey Boulevard. He stated that this project is a climate controlled indoor self-storage facility. He stated that self-storage facilities are more in demand throughout nearby communities as well.

6. ADJOURNMENT

Motion by Chairperson Steffen, seconded by Member Burandt, to adjourn the meeting.

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

The regular meeting of the Economic Development Authority adjourned at 8:39 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.