

7550 Sunwood Drive NW • Ramsey, MN 55303

City Hall: 763.427.1410 • Fax: 763.427.5543

www.cityoframsey.com

August 10, 2021

Anoka County Administration
Rhonda Sivarajah, County Administrator
2100 3rd Avenue, STE 700
Anoka, MN 55303

County Administrator Sivarajah,

Thank you for the opportunity to provide additional information about the TIF 18 (Oppidan Industrial). This is an exciting project for the City of Ramsey and the region. The project consists of three industrial buildings to be built in two phases. I have attached a site location map and site plan depicting the proposed layout of the three buildings and their sizes. I have included a list of relevant project benefits below.

Project Benefits Summary

- 100-150 new jobs for the City of Ramsey. At least 100 of the new jobs are anticipated to be created paying a minimum wage of at least \$17.50 per hour excluding benefits.
- Opportunity for employment for Ramsey and Anoka County Residents.
- Payment of required outstanding 2011 and 2017 special assessments for the extension of Bunker Lake Boulevard and City Utilities (Bunker Lake Business Park / Puma Street) attributable to the developed parcel will be made at time of proposed property closing in September 2021.
- 42.7 Million Dollar private sector project investment.
- \$1M in annual property taxes after project is completed. The newly created local tax revenue will be captured by the TIF District 18 for 9 years.
- The proposed 405,000 square foot manufacturing buildings are high-quality and market relevant. This industrial complex will be the largest in Ramsey and be a significant investment for the City's new Bunker Lake Industrial Park.
- The proposed funding sources for the subsidy request would be from a newly created TIF District 18. Meaning, this subsidy will not have a direct impact on the existing general tax levy and Ramsey taxpayers. Also, like any TIF project, the existing tax base remains in place, 100%.

- The proposed \$1,172,000 in Tax Increment Financing will be through a PayGo Note (pay as you go) at 4.5% interest rather than "up-front" financing or bonding. The Developer will receive 60% of the TIF generated by the project
- The City of Ramsey will retain 40% of the TIF generated to help pay for future improvements to Bunker Lake Boulevard adjacent to the site and/or other eligible costs.
- The City of Ramsey is seeking retail and restaurant users. Common feedback from the development community and prospects is that Ramsey needs to improve its demographics in order to attract these users. Ramsey can do that by increasing both population (rooftops) and increasing trip generation (i.e. large employers and destination users). The development of Bunker Lake Industrial Park helps improve demographics needed by retail and restaurant users (via new vehicle trip generation and increased daytime populations).

Further Analysis

- This business subsidy request has been reviewed and meets Ramsey's business subsidy policy criteria.
- The Developer's request for \$1,172,000 is justified and meets State of Minnesota Business Subsidy Statutes.
- Staff has contracted with Ehler's to conduct a third party analysis of the project and to evaluate if the project meets the "But For" test and it has been determined that this project meets that criteria. Findings satisfying this "But-For" test can be found within the attached Ehlers Memo dated June 30, 2021 and the TIF Plan.
- Projected cash on cost return on investment for the Developer is 6.72% which falls within the industry standard of 6.5-7%. The analysis by Ehlers concludes that the \$1,172,000 in proposed City assistance does not unduly enrich the company.

The Ramsey City Council will be considering approval of TIF District No. 18 on August 24, 2021 at 7:00 pm. I look forward to any comments the Anoka County Commissioners or yourself might have in relation to this project.

Best Regards,



Kurtis G Ulrich

City Administrator

Attachments

Oppidan Site



Parcel Information:

28-32-25-44-0002
 7205 HIGHWAY 10 NW
 RAMSEY
 MN 55303
 Plat: AUD SUB NO 34

Approx. Acres: 1.27
 Commissioner: MATT LOOK

Owner Information:

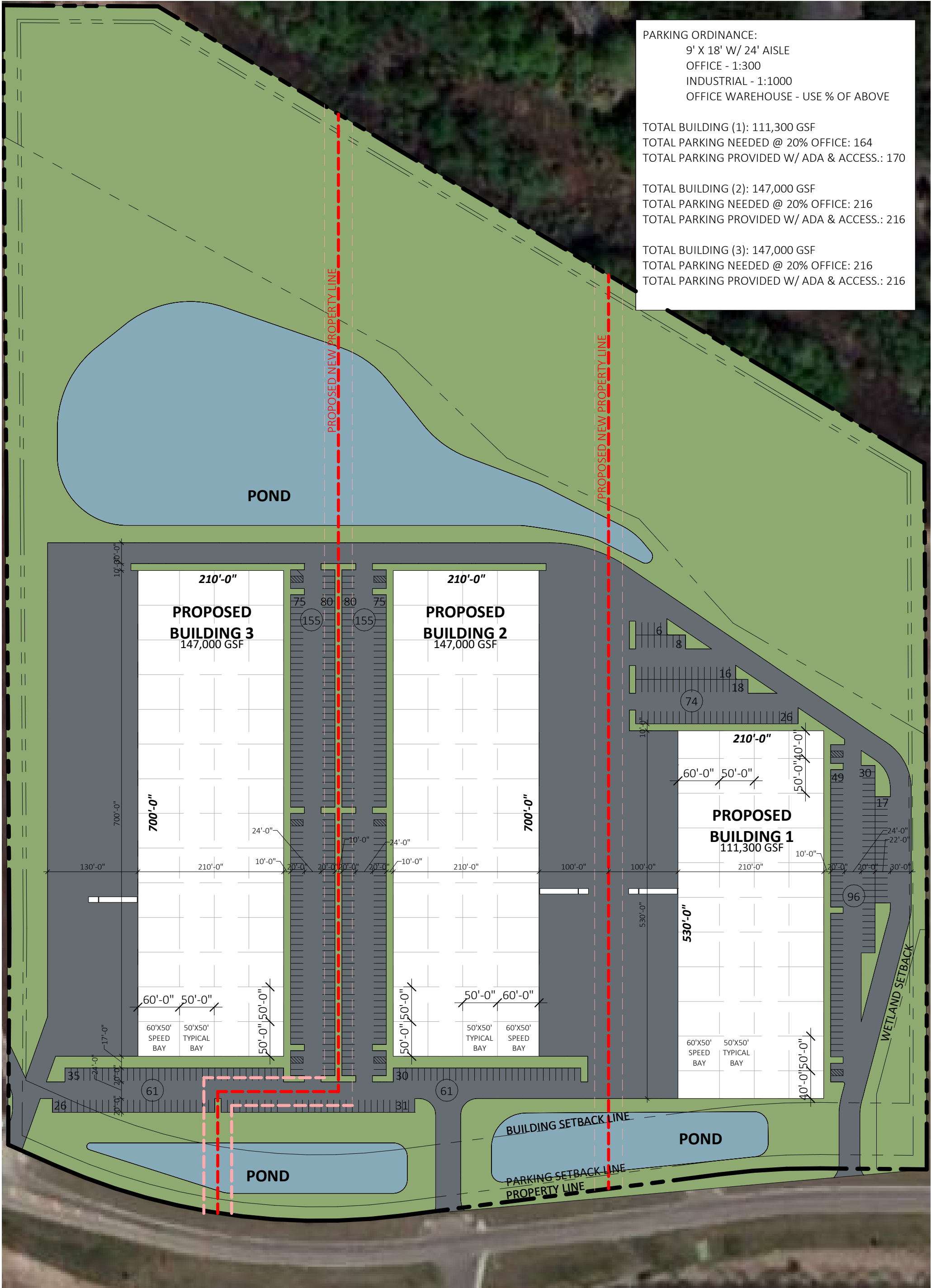


PARKING ORDINANCE:
 9' X 18' W/ 24' AISLE
 OFFICE - 1:300
 INDUSTRIAL - 1:1000
 OFFICE WAREHOUSE - USE % OF ABOVE

TOTAL BUILDING (1): 111,300 GSF
 TOTAL PARKING NEEDED @ 20% OFFICE: 164
 TOTAL PARKING PROVIDED W/ ADA & ACCESS.: 170

TOTAL BUILDING (2): 147,000 GSF
 TOTAL PARKING NEEDED @ 20% OFFICE: 216
 TOTAL PARKING PROVIDED W/ ADA & ACCESS.: 216

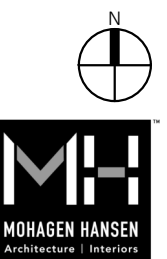
TOTAL BUILDING (3): 147,000 GSF
 TOTAL PARKING NEEDED @ 20% OFFICE: 216
 TOTAL PARKING PROVIDED W/ ADA & ACCESS.: 216



CONCEPTUAL SITE PLAN - 3 BUILDING OPTION

RAMSEY, MN
 03/31/2021

RAMSEY SPEC INDUSTRIAL



MEMORANDUM

TO: Sean Sullivan, Economic Development Manager
 FROM: Jason Aarsvold - Ehlers
 DATE: June 30, 2021
 SUBJECT: Oppidan, Inc TIF Request

The City of Ramsey (the “City”) received a request for tax increment financing (TIF) assistance from Oppidan, Inc, (the “Developer”) to facilitate development of 3 industrial buildings totaling 405,300 sq. ft. located north of Bunker Lake Blvd. and west of Armstrong Blvd (PID# 20-32-25-43-0005). The Developer is requesting \$2.9 million in tax increment assistance to off-set the extraordinary construction costs given current market fluctuations. The proposed project qualifies for inclusion in an economic development TIF district, which has a nine-year maximum duration.

The purpose of this memorandum is to review the need for TIF assistance based on our analysis of the Developer’s project budget and projections, generally known as a pro forma. This analysis is commonly referred to as the “but for” test, meaning the project would not occur on this site “but for” the public assistance being provided. Based on this analysis, we determined TIF assistance in the amount of \$1.172 million is warranted for the project as further described in the recommendations section below.

Pro Forma Analysis

Generally, this project meets the expectations of a flex industrial project with regards to project costs, financing, projected revenues, and return on investment. The proposed sources and uses of funds for the project are included below, followed by our findings relating to the analysis of the project:

Sources		
	Amount	Pct.
First Mortgage	30,877,947	72%
TIF Mortgage	1,172,000	3%
Equity	10,683,316	25%
TOTAL SOURCES	42,733,263	100%

Uses			
	Amount	Pct.	Per Sq. Ft.
Acquisition Costs	4,050,000	9.48%	9.99
Construction Costs	31,076,396	72.72%	76.68
Professional Services	3,824,068	8.95%	9.44
Financing Costs	1,792,553	4.19%	4.42
Developer Fee	1,500,000	3.51%	3.70
Cash Accounts	490,246	1.15%	1.21
TOTAL USES	42,733,263	100%	105.44

- The developer is proposing permanent financing (including the recommended TIF portion) for 75% of the project costs and will bring 25% in equity, or approximately \$10.68 million. This financing structure is in line with typical industrial projects.
- The total development costs for this project are approximately \$42.73 million, or \$105.44 per square foot. Based on our experience with similar projects, this is a bit higher than is typical, and being driven by the extraordinary construction costs and market fluctuations.
- For a project of this nature, we would expect to see a developer fee between 3% and 4% of total development costs. The developer's proposed fee is 3.51% of total development costs and is within an acceptable range.
- The proposed rents are assumed at a blended rate of \$6.33 per square foot (\$5.50/sq. ft. warehouse and \$11.00/sq. ft. office). This is based on assumed 15% office and 85% warehouse/production buildout. Because these are speculative buildings, the actual rents are unknown currently. The final rents will depend on the tenant's buildout. \$6.33 per square foot is a reasonable assumption in the market.

Recommendations

Based on current projections, the project cannot generate enough TIF in the nine-year life of the district to meet the developer's full request. The recommendation below balances the use of TIF for the project to meet the developer's return on investment expectations with the need for the City to complete necessary infrastructure improvements using TIF from the project.

Industrial developers are typically seeking a yield-on-cost return of between 6.5% and 7%. The yield on cost is calculated by dividing the project's net operating income by total development costs. Current projections show the Developer averaging 6.36% yield on cost over the next 10 years without any TIF assistance, which is below the desired threshold.

In order to support a market based return on investment for the project, and to preserve tax increment for other City infrastructure needs in the area, we recommend providing "pay-as-you-go" TIF assistance in an amount up to \$1,172,000. With "pay-as-you-go" TIF assistance, the City does not provide any funding up-front. Instead, the City enters into an agreement to provide tax increment payments that are generated solely from the project's actual increased property taxes. The Developer uses those future tax increment payments to obtain additional debt and/or support returns on investment. If the tax increment is insufficient to pay the TIF assistance in full, the City does not make up the shortfall.

This assistance would be payable from 60% of the tax increment received in the district over its nine-year life. With this assistance, the projected average yield on cost over the next 10 years increases to 6.72%, which is within a typical market range and not unduly enriching the project. The remaining 40% of increment would be available to the City for administration and to support construction of new infrastructure.