

City of Ramsey
Agenda
City Council Special Work Session
Tuesday, July 18, 2023
6:30 pm or Immediately Following Public Works Committee
Lake Itasca Room, 7550 Sunwood Drive NW

Remote Attendance available at www.cityoframsey.com/meetings.
Those joining remotely and requesting to speak are asked to use a webcam when speaking.

1. **Call to Order**

2. **Topics for Discussion**
 1. Attorney-Client Privileged Discussion of Litigation: PSD Holdings, LLC v. City of Ramsey - Closed to the Public

 2. COR Public Infrastructure Improvements

3. **Adjournment**

CC Special Work Session

Meeting Date: 07/18/2023

Primary Strategic Plan Initiative: Not Applicable

Title:

Attorney-Client Privileged Discussion of Litigation: PSD Holdings, LLC v. City of Ramsey - Closed to the Public

Purpose/Background:

This portion of the meeting will be closed to the public for an attorney-client privileged discussion regarding litigation of PSD Holdings, LLC and BLIP II, LLC v. City of Ramsey. The statutory authority for closing this portion of the meeting is Minnesota Statutes, section 13D.05, subd. 3(b).

Timeframe:

Funding Source:

Responsible Party(ies):

Brian Hagen, City Administrator
Justin Templin, Hoff Barry, P.A.
Fritz Knaak, City Attorney

Outcome:

Attachments

No file(s) attached.

Form Review

Inbox	Reviewed By	Date
Brian Hagen	Brian Hagen	07/12/2023 04:16 PM
Form Started By: Brian Hagen		Started On: 07/12/2023 12:23 PM
Final Approval Date: 07/12/2023		

CC Special Work Session**Meeting Date:** 07/18/2023**Primary Strategic Plan Initiative:** Promote economic growth and development.**Title:**

COR Public Infrastructure Improvements

Purpose/Background:

The City has completed two studies within the last year focusing on public infrastructure improvements within the TIF #14 District. These studies focused on public infrastructure improvements needed to support future economic development in the way of providing shovel ready parcels for development. The studies further provided updated cost estimates for such improvements to allow the City to plan improvements based on available TIF funding and other sources.

The first study focused on the redevelopment area known as West Armstrong Area Reconstruction. The project includes 146th Avenue from Ferret Street to its termini cul-de-sac, 147th Avenue from Ferret Street to 380 feet west of Armstrong Boulevard, and Ferret Street from 146th Avenue to Bunker Lake Boulevard. Since completion of the study and up to this date, the City finalized plans to extend water, sanitary sewer, and stormwater services to the area, including a Ferret Street extension connecting to Bunker Lake Boulevard. This project has been awarded and construction is underway. This project consisted of approximately \$1 million worth of costs that are TIF reimbursement eligible. This project moved forward for two main reasons. First, the conditions of the roadway necessitated a reconstruction of the pavement section, and second, proposed development along with vacant parcels in this area would greatly benefit from the extension of city services and thus promote economic development.

The second study focused on city owned parcels located in the COR. Following study completion, staff met with the City Council on February 28, 2023 to receive final direction on what improvements should be constructed this year. During this meeting, the financial status of the TIF #14 district was also reviewed. Assumptions made by staff were collected by Ehlers and the analysis was completed. This analysis is attached to the case for reference, but in summary, predicts that the district should provide \$5.7 million cash balance by the end of 2040. Meaning, if the City repaid previous obligations per the adopted reimbursement policy from 2014 there remains \$5.7 million of available funds for other eligible expenses. Also attached is the current policy for the reimbursement of city funds with land proceeds and tax increment for the district. Consensus provided to staff was to move forward with certain improvements from the COR Analysis that were tif reimbursement eligible. Those improvements included the waterfront excavation/grading, placing excavated material on parcels that need material to be at grade with the roadways, tree clearing of COR properties, and final plan design of Center Street, Zeolite Street and West Ramsey Parkway.

On June 13, 2023, City Council awarded the tree clearing contract in the amount of \$287,000. This amount is eligible for TIF reimbursement. On July 11, 2023 the City Council authorized bids for the remainder of the priority improvements to be completed in 2023. The engineer's estimate for the remainder of the work is \$7,509,215.

The plans for 2023 were predicated on legislation specific to TIF #14 where any expenses that were eligible for reimbursement were required to be made by November 2023. The City received received and extension of this deadline by an additional three (3) years during the 2023 Legislative Session. This extension, along with proposed developments currently be considered by the City within the COR would support consideration of completing additional improvements in the coming years. The final plans for the above referenced roadways is the most feasible improvements to consider. In the coming months those plans will be finalized and able to be bid

over the winter months for a 2024 construction. A 2024 construction would align with construction of the private development projects.

A second component to the COR infrastructure improvements is the Waterfront Park. The project listed above aids in the plans for the waterfront park, however, the construction expenses related to the park specifically are not TIF eligible expenses. The park has been a plan for a number of years and would act as a community park with amenities associated with water activities. Concept plans include walking trails, touch points around the water features to include educational components, green space, splash pad, and a building with a food establishment and community center features. Funding for these improvements are not available in full, but based on timing priorities previously expressed by Council staff would like to continue to explore these improvements.

Timeframe:

Funding Source:

Throughout the improvement projects for 2023, it has been noted that the City has approximately \$2 million of cash to contribute to towards eligible projects. The 2023 projects alone surpass this total, so the planned funding source would be to issue a TIF Bond. Early estimates would require a \$7 million bond for 2023 expenses, which would hold an approximate \$640,000 annual debt service obligation. Staff is seeking information on what the total bonding capacity for the district is should Council want to maximize that in order to lump multiple year's of projects into one bond issuance. The district does generate enough annual revenue to cover this debt service payment, as explained in the attached Ehlers analysis. The funding question at hand for future projects in the COR will require a review of the reimbursement policy. Depending on the incurred costs, and how successful private development/property values are in the future will dictate whether the district produces the revenue necessary to pay off past and future expenses.

In the last paragraph of the Ehlers analysis, it is recommended that the City request legislation that makes it clear that expenditures for land acquisition, Transit Station or public improvements constructed before or after the creation of the district can be reimbursed with TIF without the requirement of an interfund loan resolution. Staff will suggest this be recognized as part of our future legislative priorities. This legislation would allow the city to capitalize on revenue generated towards the end of the collection period and repay those previous expenses. In other words, if the district is more successful than current predictions, we would be able to repay expenses not originally anticipated to be repaid.

Responsible Party(ies):

Outcome:

Provide direction on 2024-2026 infrastructure improvements and next steps on the Waterfront Park planning/implementation.

Attachments

- Ehlers District Financial Analysis
- TIF #14 Reimbursement Policy
- TIF #14 Estimated 2023 Bond Run
- Waterfront Park Community Building Presentation
- Waterfront Park Rendering DRAFT
- Waterfront Park Bird's Eye View DRAFT

Form Review

Inbox	Reviewed By	Date
Brian Hagen	Brian Hagen	07/14/2023 12:24 PM
Form Started By: Brian Hagen		Started On: 07/12/2023 04:58 PM
Final Approval Date: 07/14/2023		

MEMORANDUM

TO: Sean Sullivan – Economic Development Manager
 Diana Lund – Finance Director

FROM: Stacie Kvilvang - Ehlers

DATE: February 24, 2023

SUBJECT: TIF 14 (COR) Status

Background

The above referenced district was established in 2010 via special legislation to designate it as a redevelopment TIF district, call out eligible expenditures, extend the 5-year rule to 10 years (time by which TIF needs to be expended) and not allow for pooling outside of the District boundaries. The legislation was modified in 2011 to expressly state that expenditures for land acquisition and public infrastructure prior to the establishment of the TIF district could be paid for with TIF and two (2) parcels that had development prior to the District being established could be included in the District (and TIF captured from them). The legislation was modified again in 2021 to extend the 5-year rule to November 28, 2023.

You inquired about the status of the District and how much TIF would be available to pay for other project costs than those noted above. More specifically, road reconstruction of roadways west of Armstrong Boulevard (Ferret Street etc.) within the COR to spur future development which would cost approximately \$1.8 million. Below is a chart that outlines eligible expenditures made by the City to date (does not include any pay-as-you-go (paygo) obligations), other funding sources and the net cost to the City:

TIF Reimbursable Costs	Cost	Other Funding	Net Cost to City
Land Acquisition	\$ 7,136,435	\$ (2,095,641)	\$ 5,040,794
Public Improvements (COR 3)	\$ 422,739	\$ (40,482)	\$ 382,257
Ramp	\$ 11,632,213	\$ (8,356,186)	\$ 3,276,027
Transit Station	\$ 3,860,483	\$ -	\$ 3,860,483
Roads	\$ 25,432,829	\$ (11,590,036)	\$ 13,842,793
<u>Additional</u> Armstrong Interchange	\$ 6,000,000	\$ -	\$ 6,000,000
Residence at the COR	\$ 11,203,516	\$ (9,109,465)	\$ 2,094,051
TIF Admin	\$ 457,764	\$ -	\$ 457,764
TOTAL	\$ 66,145,979	\$ (31,191,810)	\$ 34,954,169

As noted, the City expended approximately \$66 million, of which it was anticipated that approximately \$35 million would be reimbursed through land sale proceeds and TIF. In addition to the above referenced costs, the City had an additional \$5.1 million in costs for park improvements, admin and marketing that could not be reimbursed through TIF, but could be reimbursed with land sale proceeds. To date the City has received approximately \$6.2 million in land sale proceeds. If we apply these first to the non TIF reimbursable costs of \$5.1 million, that leaves approximately \$1.1 million to go toward repayment of the \$35 million in TIF eligible costs, which would leave approximately \$33.8 million to be reimbursed with TIF.

For pay 2023, the District is expected to generate approximately \$1.7 million in TIF. Of this \$640,502 is going to the two (2) existing paygo notes, leaving approximately \$1.063 million to pay for annual administrative costs

(approximately \$50k/year for city and county) and to repay the above referenced obligations (net after land sales) of \$33.8 million. If we assume no more land sales, development and property values and tax rates stay at the pay 2023 level, the City will accumulate approximately \$18 million over the next 18 years (end term of the District is 2040). If we add onto that the increment above the \$1.063 million that is no longer needed to pay the paygo notes (paid off in 2024 and 2028 respectively (Affinity Apartments and COR Apartments), this amount increases to \$26.8 million (\$8.8 million more). As noted, that would leave an unpaid principal balance of approximately \$7 million (\$33.8 - \$26.8). The District currently has approximately \$2 million in cash that could also be applied to the unpaid balance, bringing unpaid principal down to \$5 million.

We are aware that there are several developments that will likely commence in 2023 (98-unit Hilton hotel, Aldi, COR Trust Bank, and a 133-unit mixed use apartment). The land sale proceeds of \$1,551,551 (doesn't include the apartment parcel) and the annual TIF generated of approximately \$298,000/year (total of \$3.3 million), would negate the unpaid principal balance of \$5 million.

Staff provided some estimates of future development beyond those noted above. If we look at the total TIF generated by those over time, in theory the District could accumulate a cash balance of approximately \$5.7 million.

Summary

As noted above, the current annual increment not needed to pay existing paygo obligations is approximately \$1.063 million. This increment could go to repay the City for its prior expenditures as was anticipated when the District was created and affirmed by a Council policy on the waterfall of land sale proceeds and TIF approved in 2014. If the Council would like to forego that policy for the time being to pay for the road reconstruction west of Armstrong Boulevard (Ferret Street, etc.) that staff inquired about, the City could:

1. Use the existing cash balance to pay for the project (approximately \$2 million) and use future unobligated TIF to repay the prior expenditures;
2. Wait a year or two to build additional cash balance before completing the project (build to \$3 million or \$4 million) which would allow some cash to go to prior expenditures;
3. Complete an IFL from a City fund to pay for the project and reimburse the City with TIF over time (allows cash balance and some of the future TIF to go to repay the older expenditures); or
4. Issue general obligation TIF bonds for a short term (5 years) to pay for the project (allows cash balance and some of the future TIF to go to repay the older expenditures).

If the City is confident that development as proposed by staff will happen as anticipated, the City should have adequate cash above what it needs to pay the principal balance of any of the outstanding prior expenditures it has.

Special Legislation in 2023

It is our understanding that the City is looking to have the 5-year rule date extended this year at the legislature. We would recommend that you add to that legislation some language that makes it clear that expenditures for land acquisition, Transit Station or public improvements constructed before or after the creation of the District can be reimbursed with TIF and does not require an interfund loan (IFL) resolution. The City does not have IFL resolutions for many of the expenditures because they were made prior to the District being created. The \$3.8 million for the Transit Station does not have an IFL either since it was assumed this cost could be reimbursed without one since it is explicitly call out in the TIF legislation. We recommend pursuing this to provide clarification in case the Office of the State Auditor (OSA) determines some or all of these expenditures are non-reimbursable with TIF due to lack of an IFL.

Please contact me at 651-697-8506 with any questions.

POLICY FOR THE REIMBURSEMENT OF CITY FUNDS WITH LAND PROCEEDS AND TAX INCREMENT FOR TIF AREA #14 (COR)

SECTION I: PURPOSE

- To reimburse city for initial land purchase of the COR area in 2009
- To reimburse city for two internal loans that were established to purchase land – Water Fund and Sewer Fund. Initial principal of each loan was \$2,334,394 with a 2% interest rate
- To reimburse city for all other expenses incurred in the COR area: Public Improvements, Parking Ramp, Transit Station, Roads (Including Armstrong Interchange and County Road #116), Administration and Marketing

SECTION II: POLICY STATEMENT

It is the intent of the City of Ramsey to recoup all of the city funds that have been expended to purchase and develop the COR area. The city will use land proceeds from the COR area and future tax increment from Tax Increment District No. 14 to pay itself back.

SECTION III: PROCESS

- **Distribution of Land Proceeds. The following will be administered sequentially as proceeds are received:**
 1. When land proceeds are received from the sale of lots in the COR area, the proceeds will first be applied against the reduction of the outstanding internal loans of the water and sewer funds and their respective interest rates.
 2. After the Water and Sewer loans have been paid in full, land proceeds generated in the COR area will next be applied

against park obligations as park improvements are non-TIF eligible. Park Trust Fund will be the benefitting fund.

3. After steps 1 and 2 above have been paid in full, additional land proceeds generated will pay back the city HRA (other designated City Fund if HRA dissolved) for any expended funds related to non-TIF eligible items such as administrative expenses and marketing.

4. After steps 1, 2 and 3 above have been paid in full, additional land proceeds will be distributed to the respective city funds per percentages outlined below:

City Funds Expended:		Percentage of Total costs
COR Revolving-Future Armstrong & CR #116	\$ 10,000,000	29.44%
EDA	\$ 600,000	1.77%
Equipment Revolving Fund	\$ 1,132,686	3.33%
Landfill Trust Fund	\$ 256,638	0.76%
MSA	\$ 8,498,931	25.02%
Public Improvement Revolving (PIR)	\$ 1,031,579	3.04%
Stormwater Management	\$ 200,000	0.59%
Stormwater Utility	\$ 381,882	1.12%
Street Light Utility	\$ 112,000	0.33%
TIF 1	\$ 2,183,728	6.43%
TIF 2	\$ 6,921,287	20.37%
TIF 4	\$ 2,255,015	6.64%
Water Fund	\$ 396,146	1.17%
Total	\$ 33,969,892	100.00%

- **Distribution of Tax Increment Funds. The following will be administered sequentially as funds are received:**

1. When Tax Increment Funds are received from the County, any increment remaining after the payment of obligated debt will repay the city funds per percentages outlined below:

City Funds Expensed:		Percentage of Total costs
COR Revolving-Future Armstrong & CR #116	\$ 10,000,000	29.44%
EDA	\$ 600,000	1.77%
Equipment Revolving Fund	\$ 1,132,686	3.33%
Landfill Trust Fund	\$ 256,638	0.76%
MSA	\$ 8,498,931	25.02%
Public Improvement Revolving (PIR)	\$ 1,031,579	3.04%
Stormwater Management	\$ 200,000	0.59%
Stormwater Utility	\$ 381,882	1.12%
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TIF 2	\$ 6,921,287	20.37%
TIF 4	\$ 2,255,015	6.64%
Water Fund	<u>\$ 396,146</u>	<u>1.17%</u>
Total	<u><u>\$ 33,969,892</u></u>	<u><u>100.00%</u></u>

City of Ramsey, Minnesota

\$7,160,000 General Obligation TIF Bonds, Series 2023A
Assumes Current Market BQ AA+ Rates + 50bps

Sources & Uses

Dated 07/01/2023 | Delivered 07/01/2023

Sources Of Funds

Par Amount of Bonds	\$7,160,000.00
Total Sources	\$7,160,000.00

Uses Of Funds

Total Underwriter's Discount (1.200%)	85,920.00
Costs of Issuance	73,000.00
Deposit to Project Construction Fund	7,000,000.00
Rounding	1,080.00
Total Uses	\$7,160,000.00



City of Ramsey, Minnesota

\$7,160,000 General Obligation TIF Bonds, Series 2023A

Assumes Current Market BQ AA+ Rates + 50bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/01/2023	-	-	-	-	-
06/15/2024	-	-	246,612.17	246,612.17	-
12/15/2024	265,000.00	3.450%	129,041.25	394,041.25	640,653.42
06/15/2025	-	-	124,470.00	124,470.00	-
12/15/2025	390,000.00	3.350%	124,470.00	514,470.00	638,940.00
06/15/2026	-	-	117,937.50	117,937.50	-
12/15/2026	405,000.00	3.350%	117,937.50	522,937.50	640,875.00
06/15/2027	-	-	111,153.75	111,153.75	-
12/15/2027	420,000.00	3.350%	111,153.75	531,153.75	642,307.50
06/15/2028	-	-	104,118.75	104,118.75	-
12/15/2028	435,000.00	3.350%	104,118.75	539,118.75	643,237.50
06/15/2029	-	-	96,832.50	96,832.50	-
12/15/2029	445,000.00	3.350%	96,832.50	541,832.50	638,665.00
06/15/2030	-	-	89,378.75	89,378.75	-
12/15/2030	460,000.00	3.400%	89,378.75	549,378.75	638,757.50
06/15/2031	-	-	81,558.75	81,558.75	-
12/15/2031	480,000.00	3.400%	81,558.75	561,558.75	643,117.50
06/15/2032	-	-	73,398.75	73,398.75	-
12/15/2032	495,000.00	3.450%	73,398.75	568,398.75	641,797.50
06/15/2033	-	-	64,860.00	64,860.00	-
12/15/2033	510,000.00	3.500%	64,860.00	574,860.00	639,720.00
06/15/2034	-	-	55,935.00	55,935.00	-
12/15/2034	530,000.00	3.650%	55,935.00	585,935.00	641,870.00
06/15/2035	-	-	46,262.50	46,262.50	-
12/15/2035	550,000.00	3.800%	46,262.50	596,262.50	642,525.00
06/15/2036	-	-	35,812.50	35,812.50	-
12/15/2036	570,000.00	3.950%	35,812.50	605,812.50	641,625.00
06/15/2037	-	-	24,555.00	24,555.00	-
12/15/2037	590,000.00	4.050%	24,555.00	614,555.00	639,110.00
06/15/2038	-	-	12,607.50	12,607.50	-
12/15/2038	615,000.00	4.100%	12,607.50	627,607.50	640,215.00
Total	\$7,160,000.00	-	\$2,453,415.92	\$9,613,415.92	-

Yield Statistics

Bond Year Dollars	\$65,986.78
Average Life	9.216 Years
Average Coupon	3.7180417%
Net Interest Cost (NIC)	3.8482496%
True Interest Cost (TIC)	3.8580211%
Bond Yield for Arbitrage Purposes	3.6978745%
All Inclusive Cost (AIC)	3.9962156%

IRS Form 8038

Net Interest Cost	3.7180417%
Weighted Average Maturity	9.216 Years

City of Ramsey, Minnesota

\$7,160,000 General Obligation TIF Bonds, Series 2023A

Assumes Current Market BQ AA+ Rates + 50bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
12/15/2023	-	-	-	-	-
12/15/2024	265,000.00	3.450%	375,653.42	640,653.42	672,686.09
12/15/2025	390,000.00	3.350%	248,940.00	638,940.00	670,887.00
12/15/2026	405,000.00	3.350%	235,875.00	640,875.00	672,918.75
12/15/2027	420,000.00	3.350%	222,307.50	642,307.50	674,422.88
12/15/2028	435,000.00	3.350%	208,237.50	643,237.50	675,399.38
12/15/2029	445,000.00	3.350%	193,665.00	638,665.00	670,598.25
12/15/2030	460,000.00	3.400%	178,757.50	638,757.50	670,695.38
12/15/2031	480,000.00	3.400%	163,117.50	643,117.50	675,273.38
12/15/2032	495,000.00	3.450%	146,797.50	641,797.50	673,887.38
12/15/2033	510,000.00	3.500%	129,720.00	639,720.00	671,706.00
12/15/2034	530,000.00	3.650%	111,870.00	641,870.00	673,963.50
12/15/2035	550,000.00	3.800%	92,525.00	642,525.00	674,651.25
12/15/2036	570,000.00	3.950%	71,625.00	641,625.00	673,706.25
12/15/2037	590,000.00	4.050%	49,110.00	639,110.00	671,065.50
12/15/2038	615,000.00	4.100%	25,215.00	640,215.00	672,225.75
Total	\$7,160,000.00	-	\$2,453,415.92	\$9,613,415.92	\$10,094,086.72

Significant Dates

Dated	7/01/2023
First Coupon Date	6/15/2024

Yield Statistics

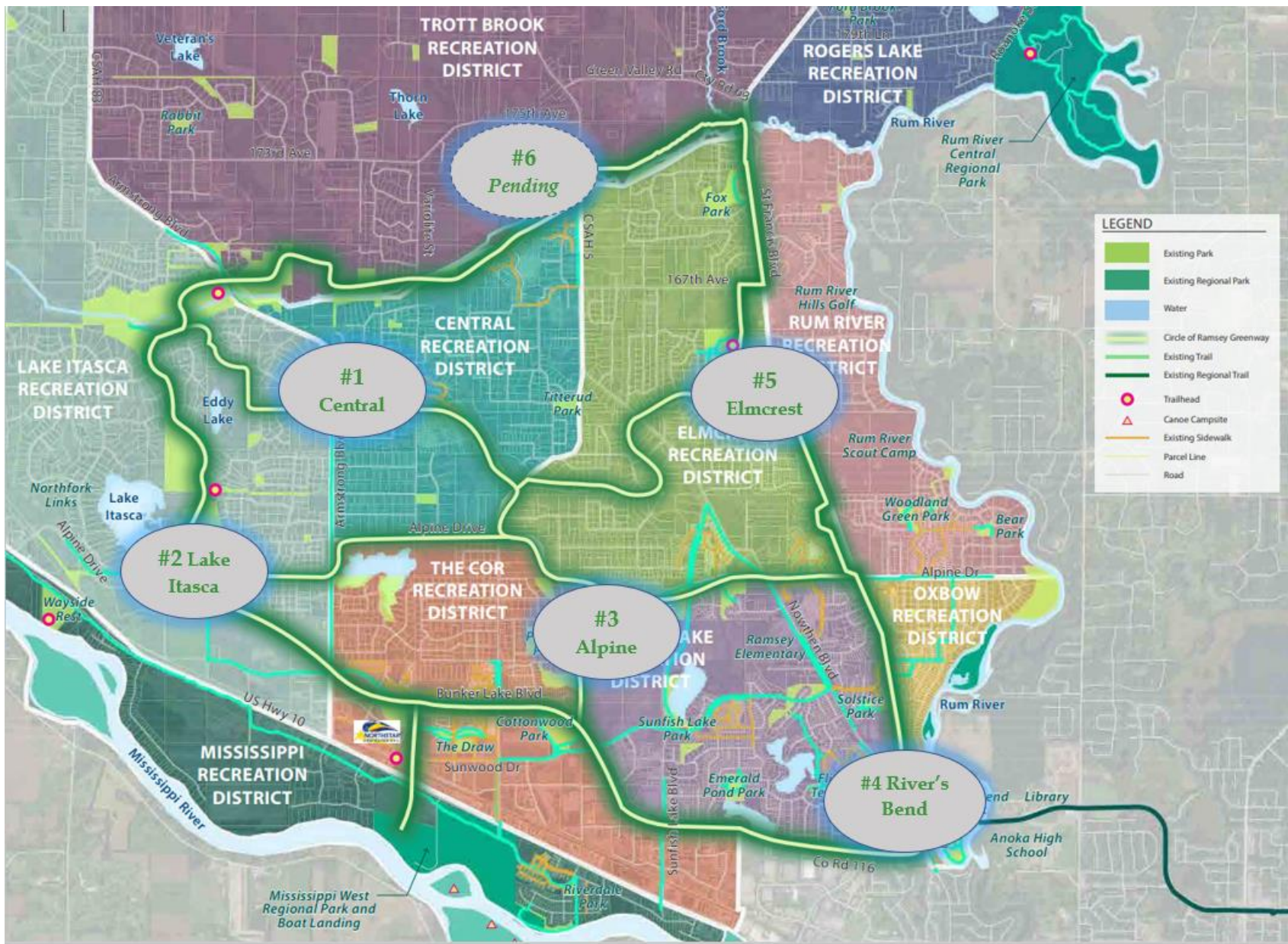
Bond Year Dollars	\$65,986.78
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IRS Form 8038

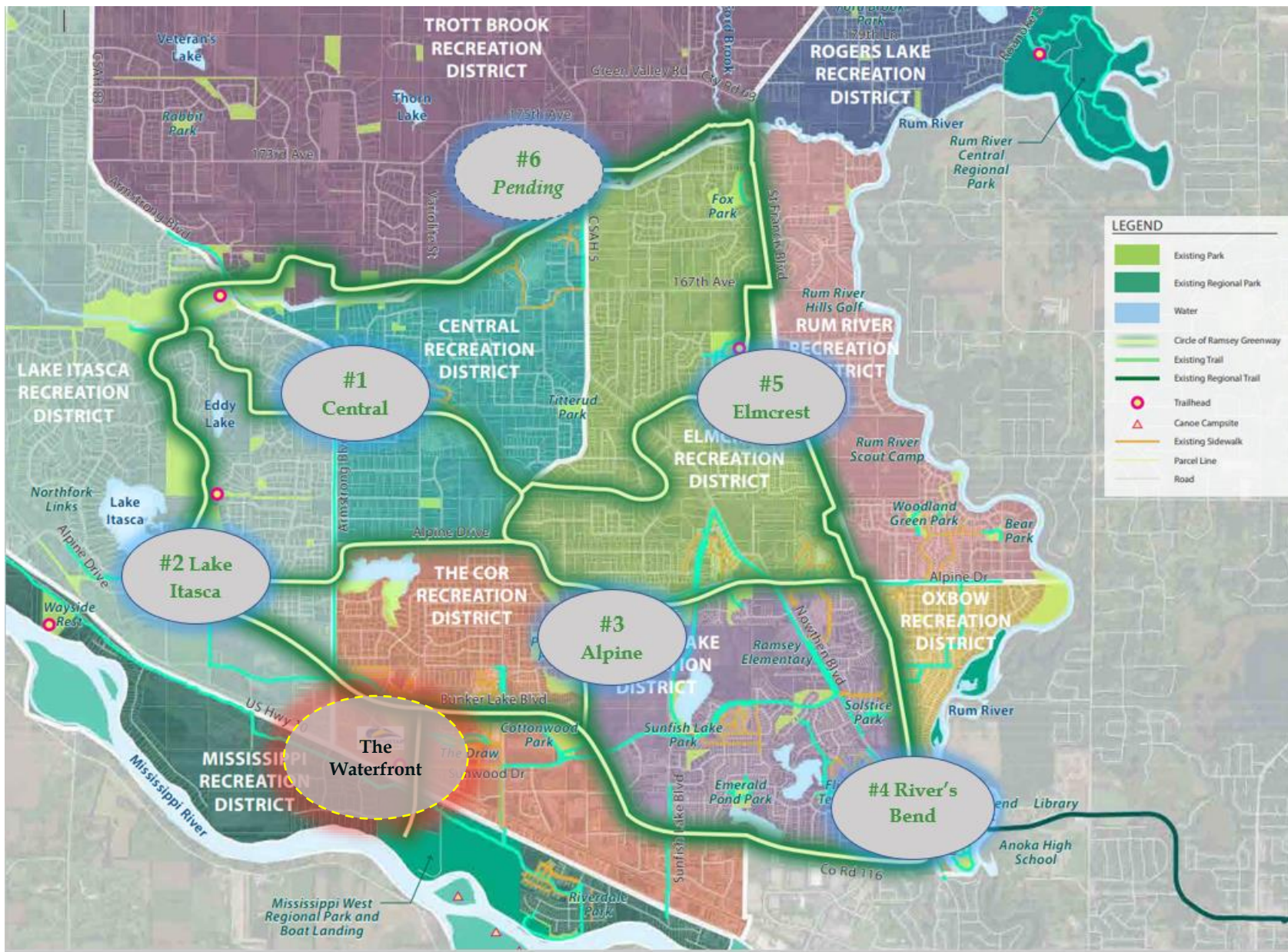
Net Interest Cost	3.7180417%
Weighted Average Maturity	9.216 Years

THE WATERFRONT - STATUS OF COMMUNITY BUILDING/SPLASH PAD PLANNING

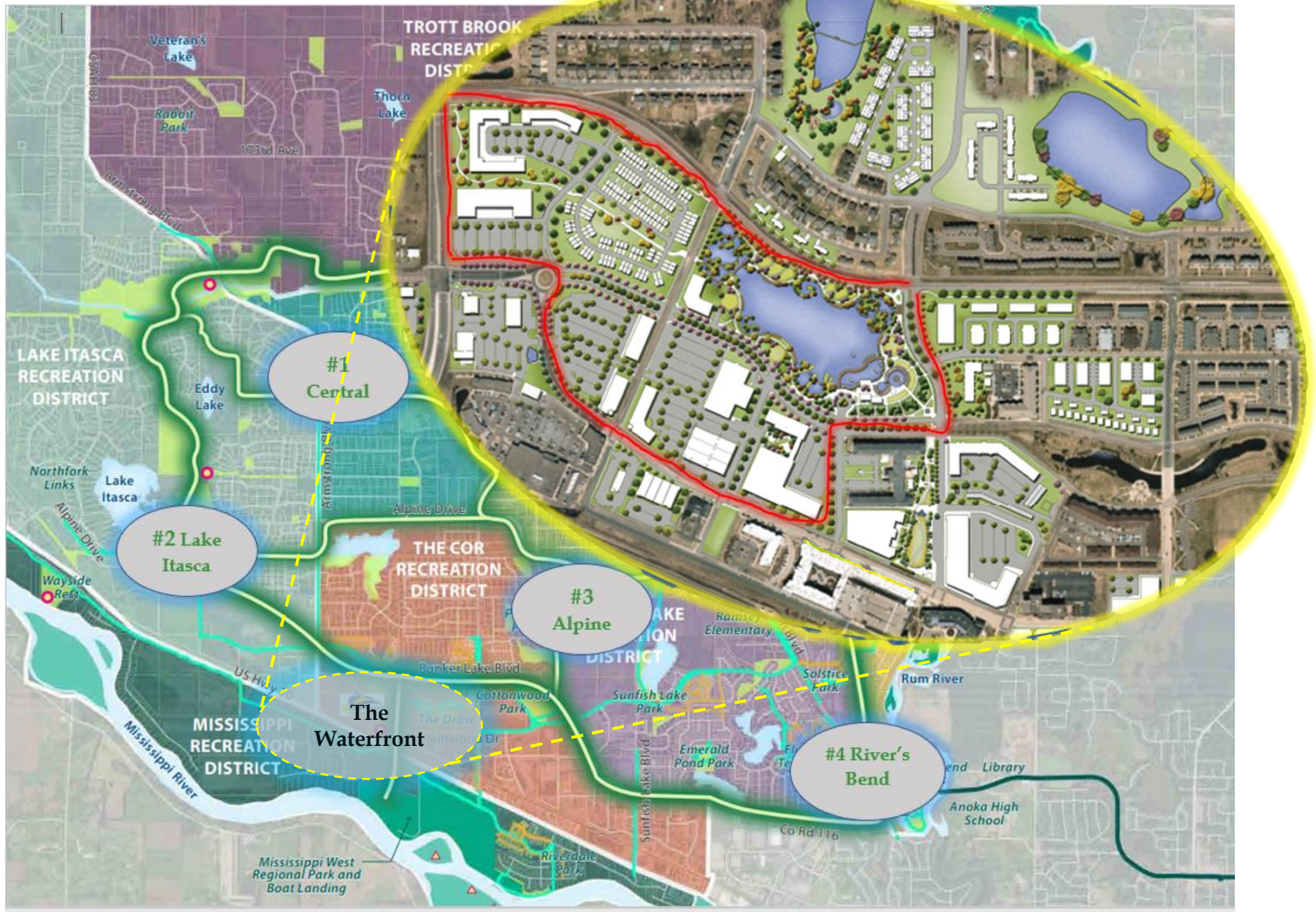
PRELIMINARY PLANNING BY:
CUNINGHAM GROUP ARCHITECTURE
JACOBSON LANDSCAPE ARCHITECTURE



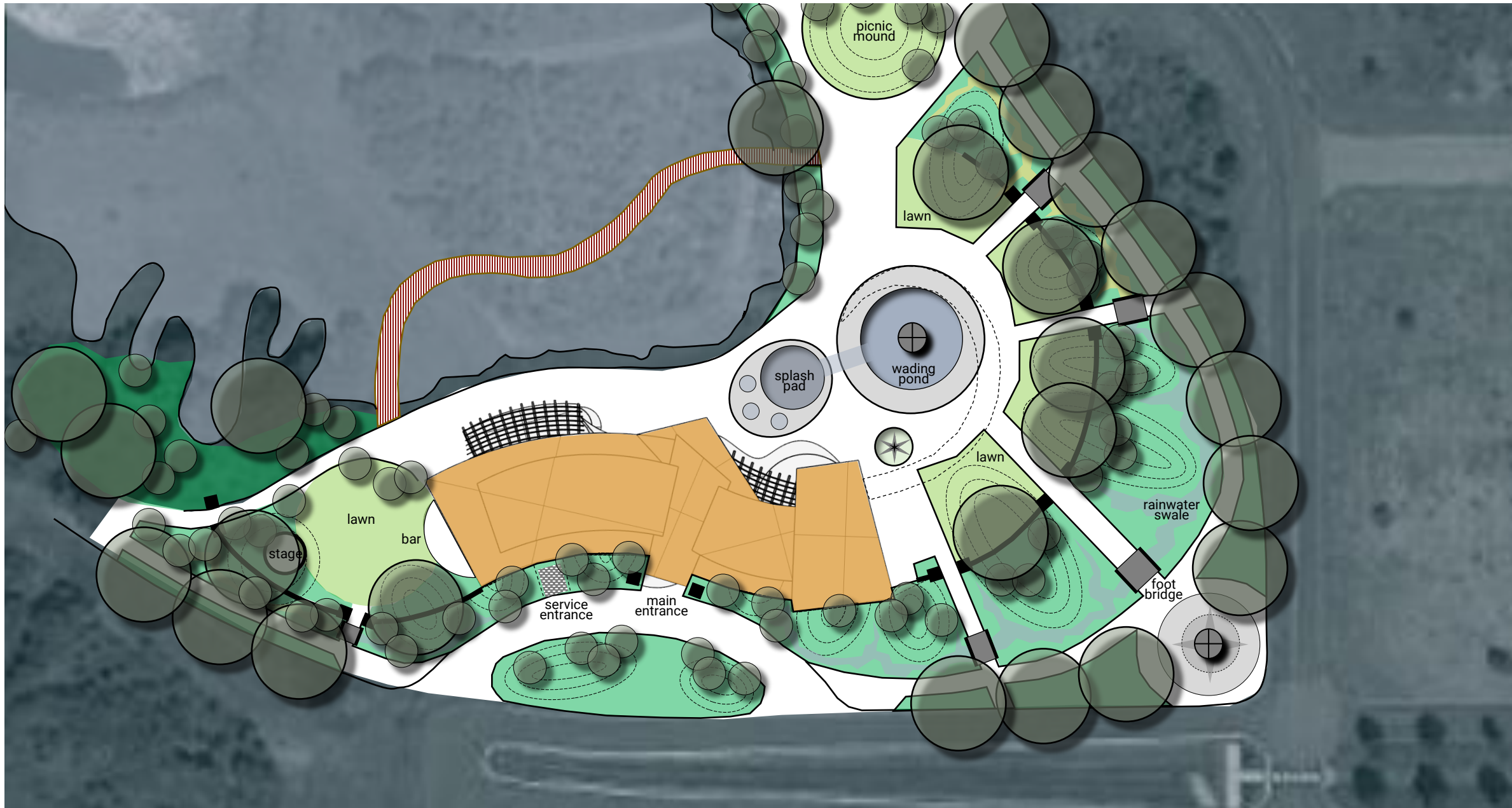
Ramsey Waterfront Community Building
Community Park Distribution Map



Ramsey Waterfront Community Building
Community Park Distribution Map



Ramsey Waterfront Community Building
Community Park Distribution Map



Ramsey Waterfront Community Building
Landscape

GRADING FOR AESTHETICS



GRADING FOR STORMWATER



LIGHTING EFFECTS



SHORELINE TREATMENT



OPEN SAVANA CHARACTER



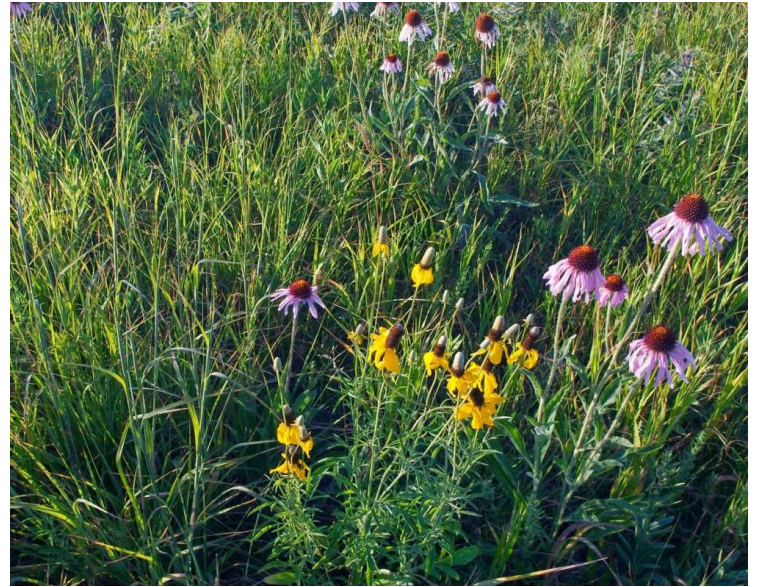
MULTI-TRUNK UNDERSTORY



BEE-FRIENDLY LAWN



SHORT-GRASS PRAIRIE



BOARDWALK



WADING POND



OUTDOOR GAME AREA

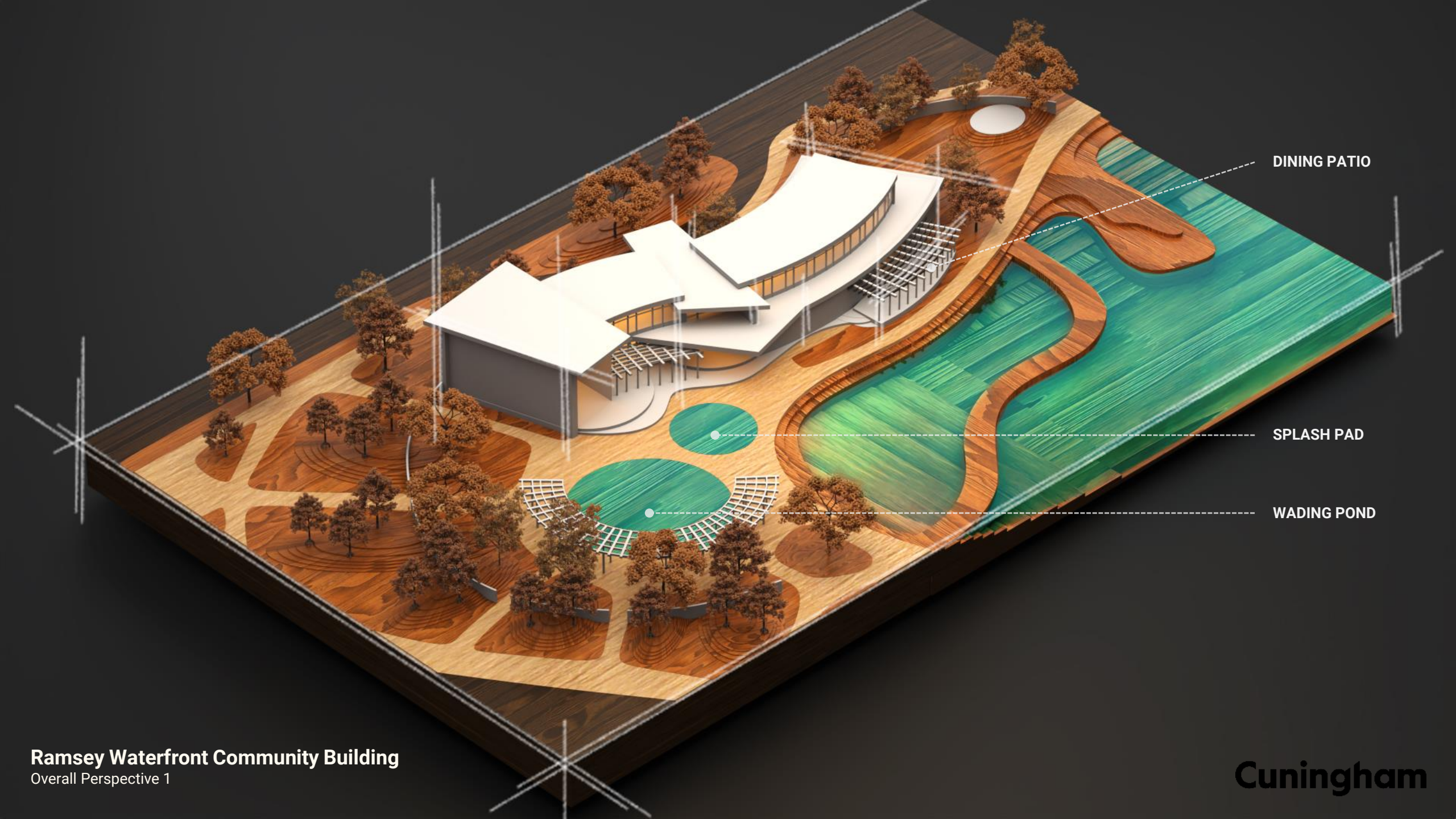


OUTDOOR HEARTH



OUTDOOR GAME AREA





DINING PATIO

SPLASH PAD

WADING POND

Ramsey Waterfront Community Building
Overall Perspective 1



WADING POND

SPLASH PAD

BAR PATIO



Ramsey Waterfront Community Building
 Floor Plan – Ground Floor

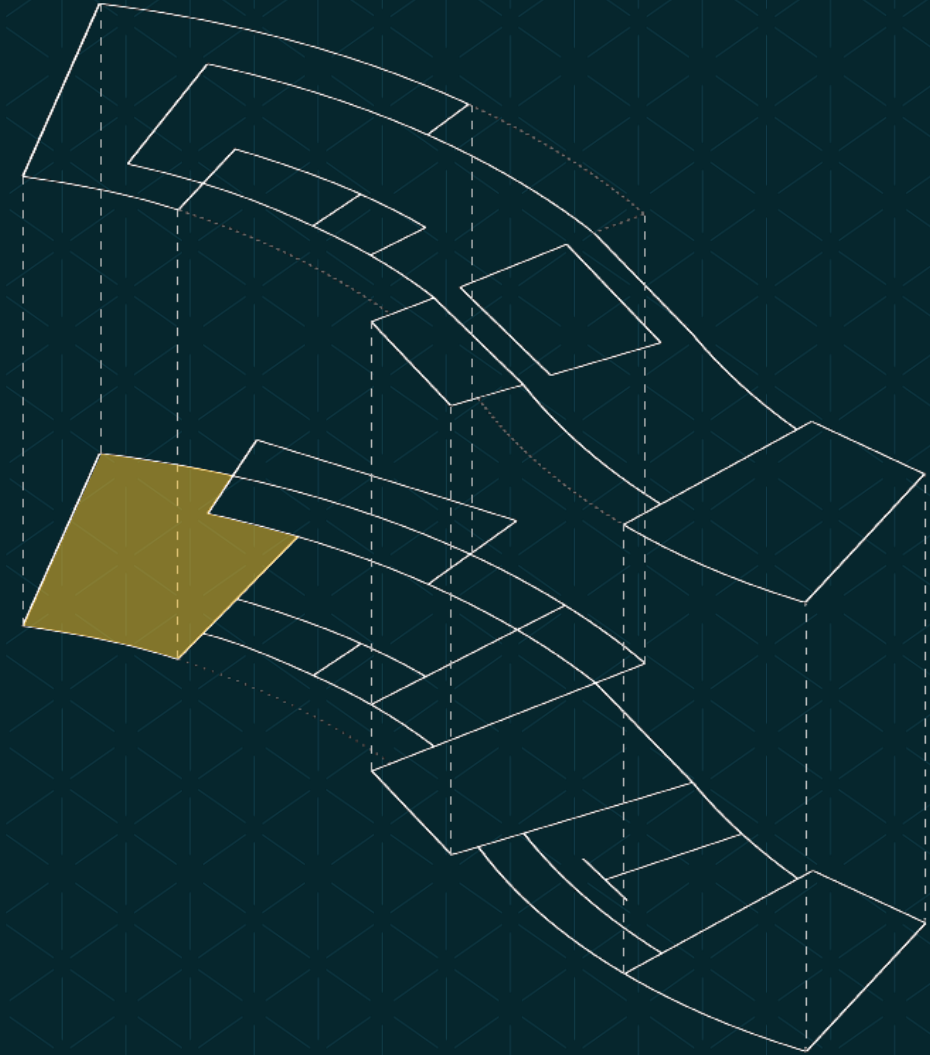


Ramsey Waterfront Community Building
Floor Plan - Second Level

DINING



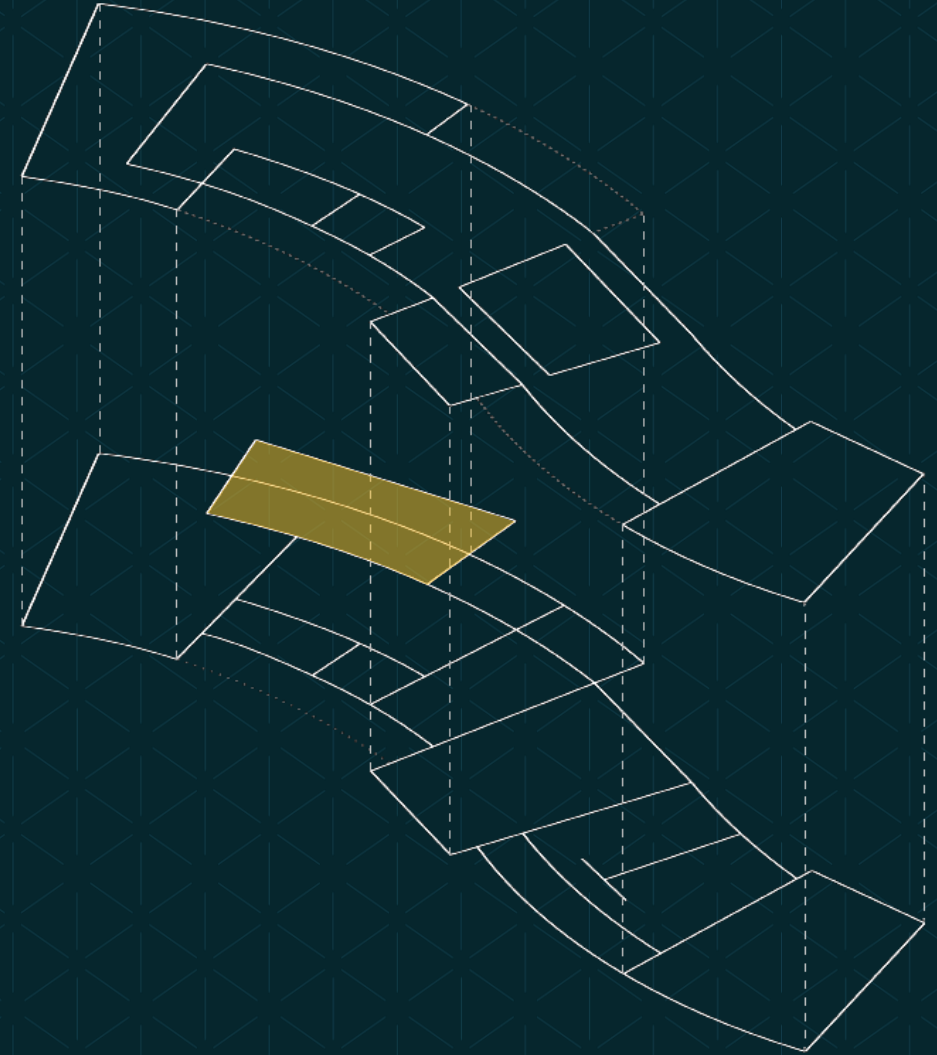
Ramsey Waterfront Community Building
Program



DINING PATIO



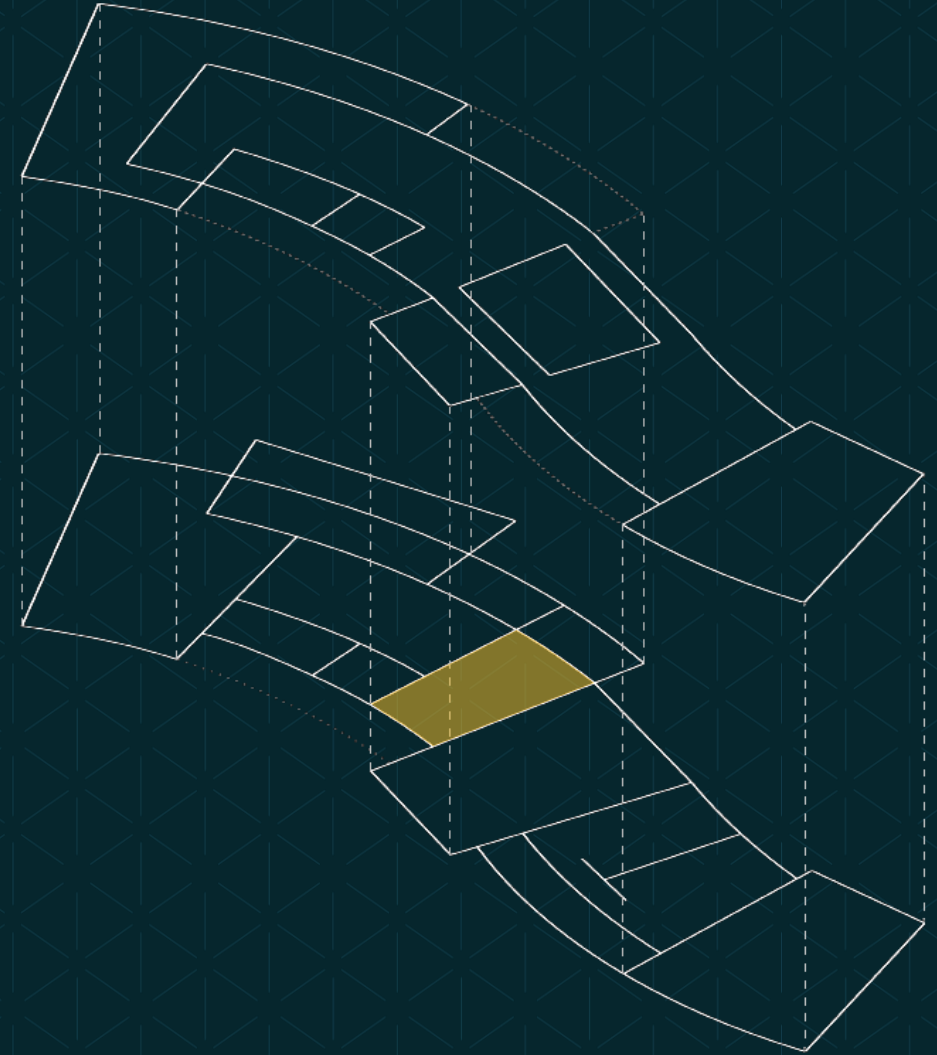
Ramsey Waterfront Community Building
Program



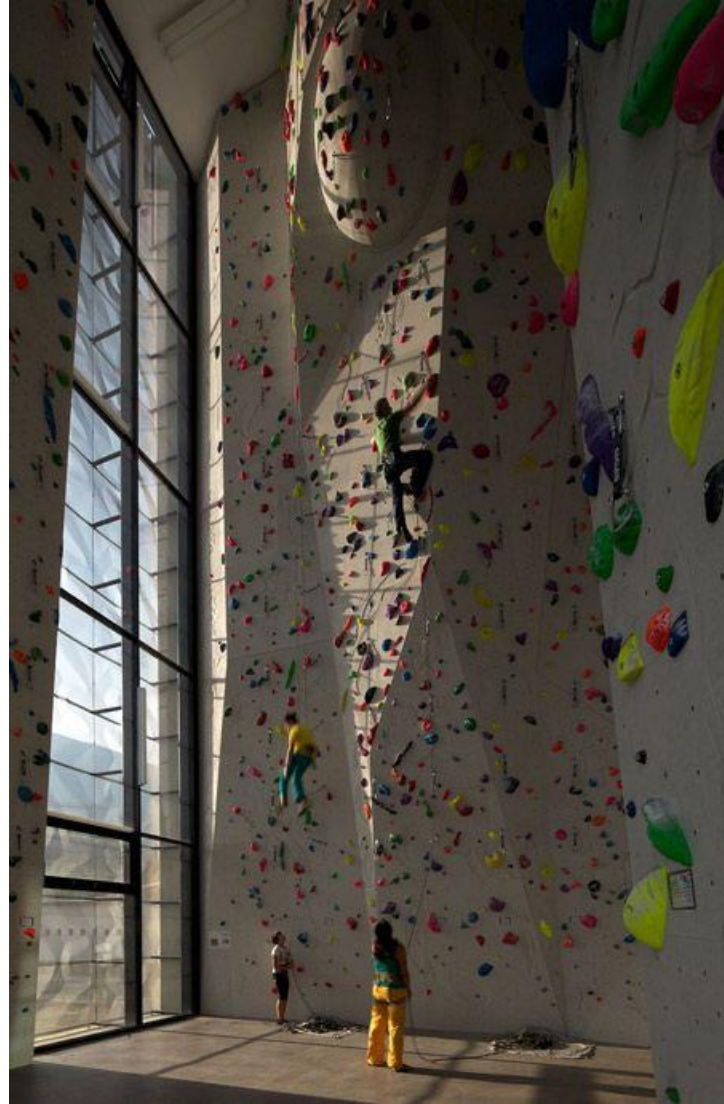
YOGA/BALLET/FITNESS



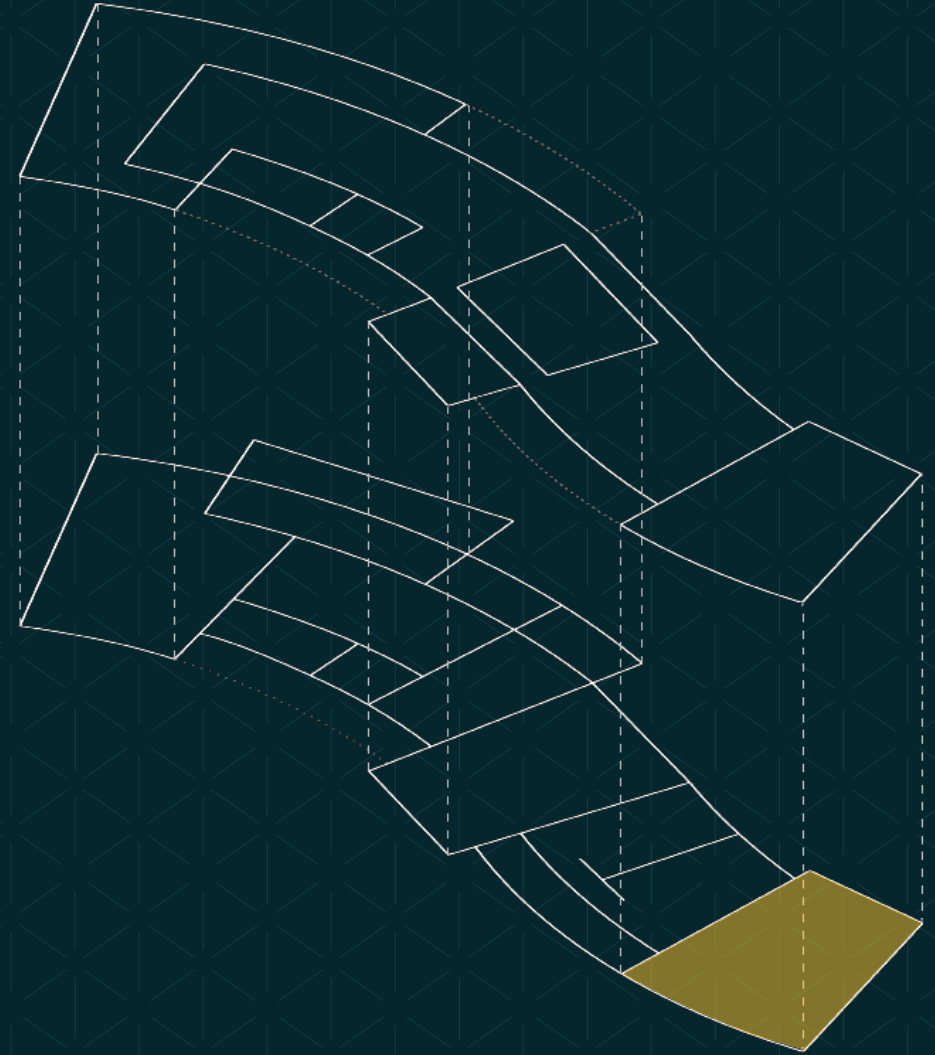
Ramsey Waterfront Community Building
Program



INDOOR PLAY AREA



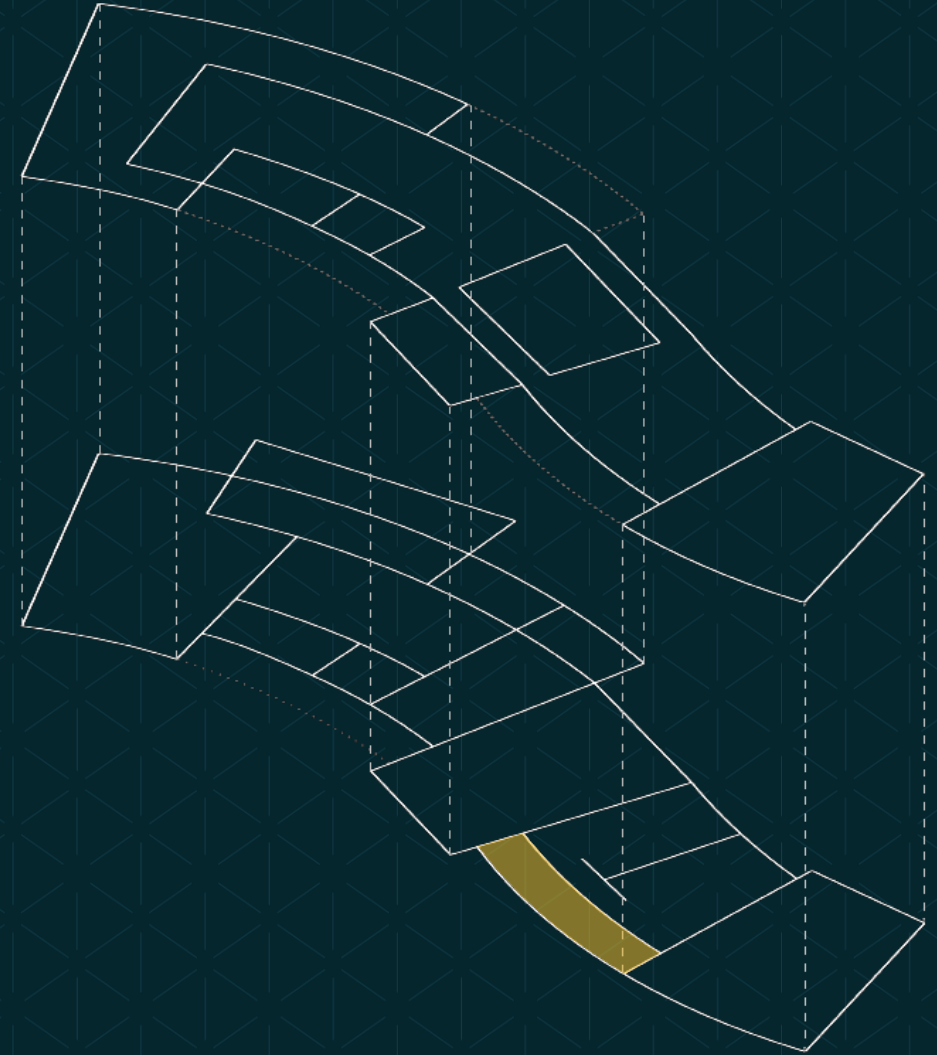
Ramsey Waterfront Community Building
Program



GALLERY



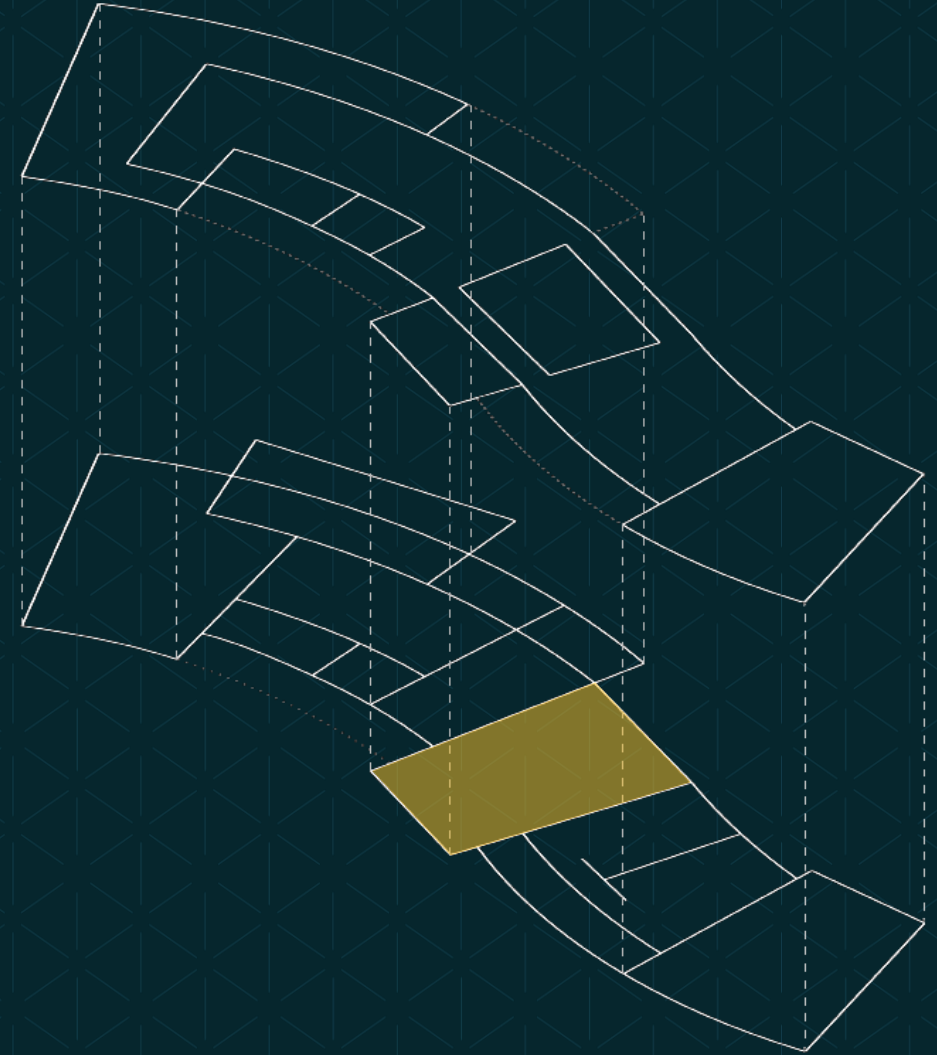
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MAIN ENTRY



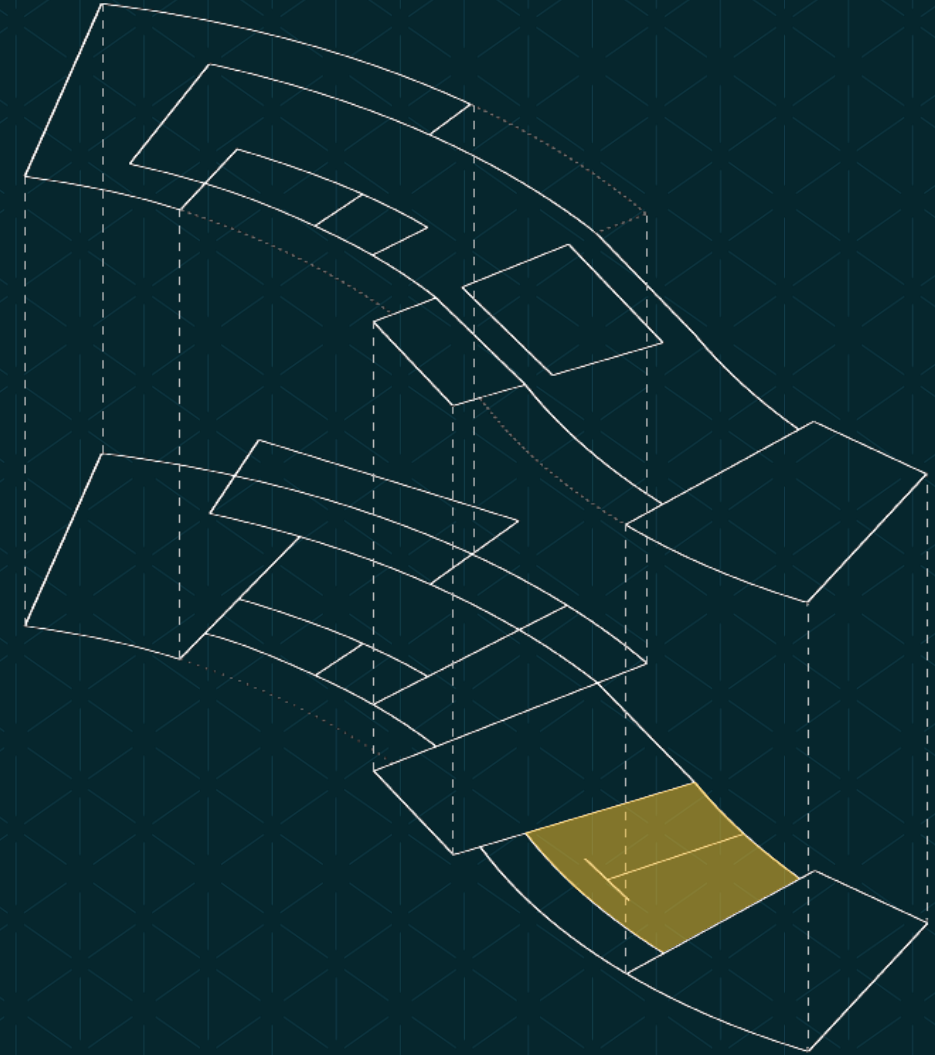
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LOCKERS



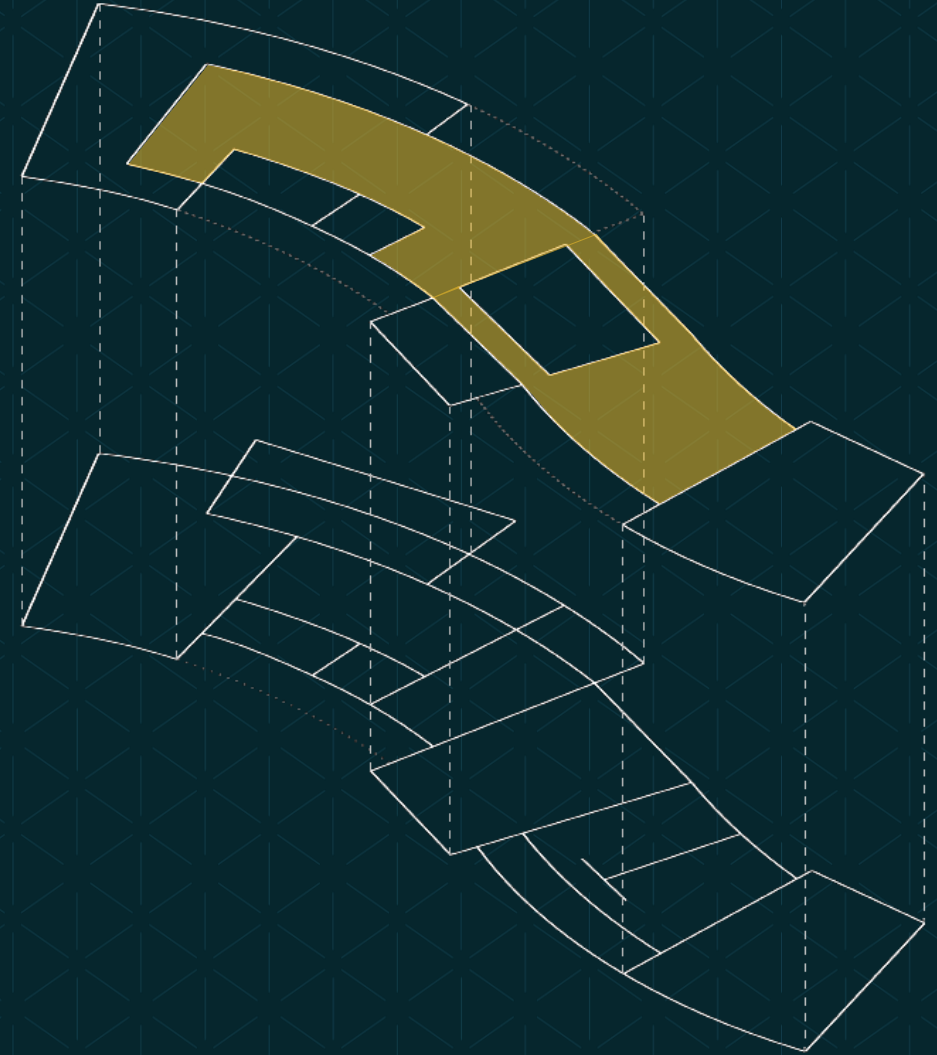
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BANQUET/TRADE SHOW SPACE



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Program





Ramsey Waterfront Community Building

A large, stylized letter 'C' logo on the left side of the image. The 'C' is filled with a teal color and contains a white grid pattern of thin lines. The background of the entire image is a dark teal color.

Cunningham





