

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY REGULAR MEETING  
MONDAY, MAY 12, 2014 – 8150 BARBARA AVENUE**

**CALL TO ORDER/ROLL CALL** The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, May 12, 2014, in the City Hall Council Chambers. President Piekarski Krech called the meeting to order at 5:00 p.m. Present were Economic Development Authority members Bartholomew, Madden, Mueller, and Tourville; Executive Director Link, City Attorney Kuntz, City Administrator Lynch, Finance Director Smith, and Secretary Fox.

**3. CONSENT AGENDA**

**A & B. Minutes and Claims**

**Motion by Bartholomew, second by Tourville, to approve the minutes from the February 10, 2014 Regular Economic Development Authority Meeting and to approve disbursements from February 10, 2014 to May 11, 2014.**

**Ayes: 5**

**Nays: 0      Motion carried.**

**4. REGULAR AGENDA**

**A. Discuss Concord-Dickman**

Mr. Link provided background information regarding future plans for the Dickman Trail area. He advised that the Concord Neighborhood Plan, which was adopted by the City Council in December 2012, showed two different scenarios for potential redevelopment of the Dickman Trail area. The goal would be to increase employment, property value, tax base, customer base, and provide for a more attractive neighborhood. He explained the two alternatives for the future development of the north sector of the Dickman Trail area. The first alternative would be office flex/light industrial. Mr. Link discussed the various guidelines for industrial and advised that the advantages to industrial would be increased employment, it would provide an alternative location for industries currently fronting on Concord, and would be compatible with the current industrial uses on the south sector of Dickman Trail. The disadvantages of industrial would be lower property values and tax base than residential, the need for more financial assistance, and the potential for the industrial to negatively impact future residential development elsewhere in the Concord neighborhood. The second alternative would be residential. This would provide for high density apartments toward the north, townhomes in the middle, and future single-family development on the south end. The advantages to residential would be increased property values and tax base, compatibility with surrounding existing and future development, greater financial feasibility than industrial, and it would maximize the nearby public amenities. The disadvantages to residential would be the lack of employment opportunities and alternative sites for existing businesses on Concord, and an interim conflict between the residential uses and the two existing industrial properties to the south.

Mr. Link asked the EDA for direction in moving forward. He discussed some alternatives suggested by staff, including asking Ehlers to update their financial analysis and provide more detailed information on ways to improve the financial feasibility of development in the Dickman Trail area, get another consultant to look at the financial feasibility of either one or both of the aforementioned scenarios, meet with developers to discuss the market for industrial and residential development and the impact industrial development may have on subsequent residential development along Concord Boulevard and 66<sup>th</sup> Street, or meet with the City of South St. Paul to discuss their successful experience with industrial redevelopment.

President Piekarski Krech asked if the difficulty of building in this area because of the bedrock had been taken into consideration.

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – May 12, 2014**

Mr. Link replied in the affirmative, stating because of the bedrock, basements may not be an option in some areas.

President Piekarski Krech asked what the plans were for the existing industrial on the south sector of Dickman Trail if the area was developed as residential.

Mr. Link replied that if the City chose the residential scenario, and it was successful, the second phase would be to eventually redevelop the southern sector (Ace Blacktop and Southeast Towing) into single-family. In the meantime, however, there would be a townhouse development up against the industrial area which could create some conflict.

President Piekarski Krech asked if the cost of creating a quiet zone was taken into consideration as it would likely be sought should the area be developed into residential.

Mr. Link replied that the developers recognized that the existing railroad would affect development. He noted that because the City is also considering residential development on 66<sup>th</sup> Street and the 6300 block of Concord, it may be necessary for the City to look at a quiet zone regardless of the Dickman Trail area.

Boardmember Bartholomew stated that all the analysis was done with light industrial, and he questioned whether a heavier use would be more appropriate because of the existing noise, railroad tracks, refinery across the river, Concord, etc. He was opposed to developing the area into residential, stating the industrial scenario was more realistic and would provide much needed jobs.

Boardmember Madden favored industrial as well and agreed with Commissioner Bartholomew's comments.

Boardmember Mueller supported an industrial use in that area, and felt the rail would be an asset to those types of businesses.

Boardmember Tourville stated that part of this plan would include relocation of the Rauschnot business and he asked where that would be moved to.

Mr. Link replied it was difficult to say where that would fit in until they were further along in the process. If the EDA decided to move forward with the industrial scenario, the City would have to acquire the property, complete environmental cleanup and financial analysis, and have a developer prepare layouts and building plans.

Mr. Lynch advised that the original concept plan was to relocate Mr. Rauschnot to a portion of the ten acre parcel owned by River Country Cooperative. Staff was not sure if that would work from a market standpoint; however, so they met with developers to get their input. The developers advised that in order for this to be a successful industrial or residential development, the City would have to acquire property all the way to the south end. Also, major industrial/commercial relies on high transportation traffic, of which this area is lacking. Council's direction was to start acquiring property from people wanting to voluntarily leave the area, which is the point we are at today in which the City is attempting to purchase one of those parcels. Significant interest has been shown by three other property owners wishing to do the same.

Boardmember Tourville stated it would be beneficial to invite the developers back.

Boardmember Madden agreed, stating the EDA should get additional information from the developers and then make a final decision.

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – May 12, 2014**

Boardmember Bartholomew stated he would like to hear from developers as well, and was convinced that residential was not viable in that location.

Boardmember Tourville noted there were a couple of areas proposed to be residential in the Concord neighborhood, so it would be advantageous to discuss with the developers which area to push first. He requested that the names of property owners be put on the maps to make them easier to understand.

President Piekarski Krech stated there were so many drawbacks to residential that she would like the City to make a decision for this to be an industrial area. She stated the existing businesses would be more apt to expand if they knew the area was not planned for residential. She stated perhaps they could get some input from local residential developers as to whether they felt this area could realistically be developed as residential.

Boardmember Tourville summarized that the EDA would like Mr. Link to invite the developers back to discuss industrial development, and perhaps some home builders as well who could discuss whether it was a realistic location for residential and if so, what type of product would they build.

Mr. Link advised that per the EDA's direction he would proceed with industrial, talking to developers, and meeting with the City of South St. Paul to discuss their successful experience with industrial redevelopment.

President Piekarski Krech stated that any existing environmental issues would have less conflict with industrial than they would with residential.

Frank Rauschnot, 6840 Dixie Avenue, stated he would like the property to remain industrial. He advised that he has tried to expand his business but the City would not let him; therefore, he would like to move his business to the ten acre parcel to the south which would give him room for expansion.

President Piekarski Krech asked Mr. Rauschnot if he brought forth any of his plans to staff.

Mr. Rauschnot replied that he previously gave the City a draft plan; however, it was never discussed. He stated the railroad tracks and access to I-494 and Highway 52 made it a prime area for industrial. He advised he would do whatever he could to move this forward, even if it meant moving.

President Piekarski Krech advised that Mr. Link has heard the EDA's direction to move forward with industrial.

Mr. Rauschnot stated the property on the north corner of Dickman Trail could perhaps be a lighter use than the property to the south of it, but he would like it to be zoned as such that his business would be a legal conforming use; not a legal non-conforming use.

Boardmember Bartholomew asked Mr. Rauschnot to provide financial analysis, a firm business plan, square footage and acreage ratios, employee estimates, long-term revenue projections, etc. showing how he planned to expand his business.

Mr. Rauschnot replied he would do what he could; and added that Laurie Crow with 'Open to Business' offered to help him with his business plan.

President Piekarski Krech recommended that Mr. Rauschnot contact Jennifer Gale with Progress Plus as well, and she encouraged him to contact the EDA with any other issues.

Mr. Rauschnot stated he would do everything in his power to make it work, and he felt they could create a successful industrial development if they worked together.

## **B. Discuss Arbor Pointe Commercial**

Mr. Link advised that the Rainbow store is up for sale and will likely be closing unless it is sold by the end of the year. The Walgreens store on Broderick will also be closing in a few weeks. Staff is very concerned and is requesting direction from the EDA on how to proceed. He advised that the Arbor Pointe development was a result of the City's initiative 20 years ago to gain commercial development. The City cannot control certain things such as the market, how stores are operated, lease agreements, etc., however, they can do targeted marketing of that area, provide financial assistance for redevelopment, designate land uses, and become better educated about the retail market. The City could research the grocery industry and what to do when they close down, speak with representatives from the businesses leaving, or perhaps hire a consultant to analyze the City's retail potential. Mr. Link advised that the retail industry was hit hard during the recession and since then has changed dramatically, including smaller square footage, increased business being done over the internet, etc. Inver Grove Heights has a lot of competition in neighboring cities, and the question is how much retail can Inver Grove Heights expect and is the right amount of acreage set aside for it. If we have too much retail acreage perhaps some of the retail property should be changed to something else, such as office or multiple-family residential. Retailers are looking for customers, which can be provided on weekends and evenings with residential and during the day by employees. One of the disadvantages the City has is that two of the four vacant properties in Arbor Pointe are specialized buildings; the A & W site and the grocery store building. An advantage the City has is a possible increased customer base as a result of the Flint Hills administrative office building being built and the potential future construction on the United Properties industrial site.

Boardmember Tourville stated perhaps the EDA and City Council should be proactive rather than reactive by taking a targeted marketing approach for the Arbor Pointe area. They could look at the zoning, what uses would be allowed, and possibly hire a marketing company.

Boardmember Bartholomew suggested they try to isolate what the contributing factors were for failure of the previous businesses. If the issue was accessibility, for instance, perhaps they could look at a redesign of the layout. He believed there were issues other than just a bad economy.

Boardmember Mueller suggested they examine the permitted uses to see if they were still appropriate. He noted that certain businesses have changed over the years and the code may no longer match in certain areas. The City could also invite builders to view the available property.

Boardmember Tourville recommended that the EDA put out an RFP to investigate redevelopment of the vacant buildings, stating that rather than trying to do it themselves he believed the City should hire someone who was an expert in the field.

President Piekarski Krech suggested that first the City speak with representatives from Argenta Hills to find out what barriers they are running into and why the rental spaces are not moving. She asked if exit interviews were done with Walgreens and Rainbow to determine why they were closing.

Jennifer Gale, Progress Plus, advised that the marketing representatives from the Argenta Hills development have stated there is too much retail competition right now and not enough people shopping during the day due to a low employment base. She advised that the former Lockheed Martin site in Eagan, for instance, is offering incentives, including years' worth of free rent. She stated it might be advantageous to take a look at an alternative use for the Rainbow site.

Boardmember Tourville stated perhaps all the retail should be looked at within the City.

Mr. Lynch stated that when the EDA adopted their 2014 Work Plan they stipulated that it could be changed if necessary. He suggested that perhaps the EDA would like to expand the work plan to include researching some of the retail areas of the city. He advised there may be a bigger retail issue in the City than just the Arbor Pointe area, so perhaps staff could work with Progress Plus, developers, and property managers to develop a comprehensive marketing approach for various retail areas in the City and the EDA could then decide if they wanted to add that to their work plan.

Boardmember Madden stated the main issue with the retail center near Target could be the access.

President Piekarski Krech recommended that staff get back to the EDA prior to the next scheduled meeting in August; preferably within 30 days.

Boardmember Madden stated he would not be opposed to adding a meeting prior to August to get something accomplished regarding this issue.

Ms. Gale suggested they also speak with management companies that have shopping centers in various communities to determine what contributes to their success or failure.

Mr. Link thanked the EDA for their discussion and direction.

### **C. Consider Progress Plus Update**

Ms. Gale summarized the last quarter activities. She advised that they are half way through the Union Pacific Railroad Economic Impact Study and are hoping to have a draft in the coming weeks. The Railroad attended a South St. Paul Council work session and discussed their rail yard improvement project. They believe the improvements will create efficiencies and more opportunities and agreed to enter into a memo of understanding with the City of South St. Paul to outline each other's expectations. A Railroad representative met with City staff to discuss available opportunities and also agreed to meet with Mayor Tourville. The Railroad has agreed to train both the SSP and IGH emergency staff, including ongoing joint training exercises. They have also agreed to notify City public safety personnel of any new hazardous materials that would potentially be transported with these yard improvements. She stated a number of businesses have stated they moved to Inver Grove Heights because of the spurs that are available.

Boardmember Bartholomew suggested they discuss adding a spur in the Dickman Trail area.

Ms. Gale replied that would be something the Mayor could discuss with the railroad during their upcoming meeting.

Boardmember Tourville stated that freight train issues have become a legislative discussion item due to increased train length and frequency, and he felt a quiet zone would help make the Concord Boulevard area more livable.

Ms. Gale suggested that the EDA have a discussion with the railroad before spending money on a study as the railroad may agree to share costs related to quiet zone improvements.

Progress Plus continues to use various medias to raise awareness of 'Open to Business' and the services it offers. It is focusing on residents wanting to start a business as well as existing business owners.

In response to a request from the EDA, Progress Plus contracted with a company to put together a comprehensive list of Inver Grove Heights businesses. Part of the agreement was that Progress Plus would not abuse the information; however, the list was available to the City for notifications, mailing lists, open houses, and other things of that nature. The report includes contact information as well as more specific information such as number of employees, type of business, female ownership, and franchise information.

Progress Plus will be partnering with MNCAR to host another broker class next fall. This event will help showcase available properties and incentives.

One of Progress Plus's initiatives this year was to write stories about successful developments and put them on a professional newswire. A national press release was recently done on the Argenta Hills development in which McKeever Dermatology was featured. They plan to do three others this year.

Ms. Gale discussed local business activity, including the upcoming opening of TC Taco on Cahill, Old World Pizza's reopening in the former Emma Krumbie's building, and the closing of Walgreens and Rainbow. She advised that during a meeting with El Loro they indicated they do not plan to renew their lease. The cost of being in a retail center is high and she is concerned about the retail in that area of the City. CHS has two studies being conducted to look at expansion at the current facility as well as at a new facility. They hope to have more definitive direction by this summer.

#### **D. Consider Concord Update**

Mr. Link advised that discussions are taking place with five different property owners on various parts of Concord, primarily relating to possible acquisition. He noted that they should have the results soon on the Phase 2 environmental analysis for the River Country Cooperative property. The first reaction was that it was only a mild contamination. A June closing is anticipated for the Frederick property.

Boardmember Mueller asked what the cost was for the Phase 2 investigation.

Mr. Link replied he did not have the information in front of him, but believed it was approximately \$5,000.

Boardmember Mueller asked what the cost was for the Phase 1.

Mr. Link recalled that it was a couple thousand dollars or less.

Boardmember Mueller asked for clarification that the City would not absorb the cleanup costs.

Mr. Link replied that the responsibility for cleanup costs would be determined during the negotiation process. He advised that grant monies are sometimes available from the State or Metropolitan Council.

Boardmember Mueller asked how deep the soil borings were.

Mr. Lynch replied there were varying depths.

Mr. Link advised they went down to, but not through, the bedrock.

Boardmember Tourville suggested that staff advise the CDA of the EDA's direction to focus on industrial in the Dickman Trail area rather than residential.

Mr. Link agreed to forward that information on to the CDA.

### **E. Consider Gun Club Update**

Mr. Link advised that he and Mr. Lynch met with MNDOT to begin negotiations for the Gun Club property. During these discussions it was determined there was a discrepancy in the property details. Based on Dakota County property records the City believed that MNDOT owned 53 acres; MNDOT advised they had 29 acres. Because of this the appraisal will have to be updated to reflect the actual acreage. The environmental investigation is already done and they are now determining the remediation costs.

President Piekarski Krech asked for clarification of the acreage discrepancy.

Mr. Link stated the City Attorney has researched the issue and believes MNDOT's numbers to be correct. They now need to investigate as to why that information is not reflected in the County property records.

President Piekarski Krech asked if that changed the overall acreage of the entire piece.

Mr. Link replied it did not.

President Piekarski Krech asked if the City owned more property than previously thought.

Mr. Lynch replied in the affirmative, stating the overall property was 53 acres in size and the City may own more than originally thought.

Mr. Kuntz explained that the property owned by the City was acquired in three different transactions. He advised that MNDOT had a survey done when a hospital was considering relocating to Inver Grove Heights. That survey corresponds to MNDOT's accounting of acreage remaining and acreage owned by the City. When the City initiated their recent effort to acquire the remaining MNDOT property, they referred to the County property records. Those records, however, do not necessarily reflect the City ownership so they have been asked to rectify that situation.

## **5. MISCELLANEOUS INFORMATION ITEMS**

### **A. Chamber of Commerce Dues**

Boardmember Tourville asked staff to clarify how Chamber of Commerce dues are paid.

Mr. Lynch advised that previously the City had paid for Chamber memberships. However, after discussions with the new Finance Director and the City Attorney it was determined that by state statute cities cannot pay dues to the Chamber. Economic Development Authorities have broader powers; however, and are allowed to pay that expense. As a result of this research, it was concluded that Chamber of Commerce memberships should be paid by the EDA rather than the City. Mr. Lynch advised that by contract he is allowed to be a member of the Chamber. The Police Chief has been a longstanding member as well. The City, as an entity, is not allowed to be a member of the Chamber.

Boardmember Mueller stated he could see the benefit of Mr. Link and Mr. Lynch being members, but he questioned the rationale for the police chief's membership.

Mr. Lynch replied his understanding was that the City Council has historically had an interest in having the police chief be a member of the Chamber in order to be kept aware of business concerns relating to public safety.

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – May 12, 2014**

President Piekarski Krech questioned why a Chamber membership would be necessary for that. She felt the Chamber would be open to communication with the Police Chief without him having to have a membership.

Boardmember Madden agreed, stating that would be a normal function of any law enforcement agency.

Boardmember Mueller stated cost savings of any size would help with the EDA's overall budget.

Mr. Lynch replied that the membership fee has already been paid for 2014, but they could exclude the police chief's membership for 2015.

Boardmember Tourville asked for clarification of whether Councilmembers could legally be Chamber members if they joined as a private member rather than as a Councilmember.

Mr. Kuntz replied they could be a private member if they used private dollars.

Ms. Gale advised that public officials often join as private individual members of the Chamber in order to get member access to the information; it is a tool for whatever line of business they are in professionally.

Mr. Link advised they would revisit Chamber of Commerce dues with the 2015 budget.

**C. Next Meeting – August 11, 2014**

**6. ADJOURNMENT:** Motion by Mueller, second by Tourville, to adjourn. The meeting was adjourned by unanimous vote at 6:35 p.m.