



**INVER GROVE HEIGHTS
ECONOMIC DEVELOPMENT AUTHORITY AGENDA
SPECIAL MEETING
WEDNESDAY, OCTOBER 22, 2014
CITY COUNCIL CHAMBERS
7:00 P.M.**

1. CALL TO ORDER

2. ROLL CALL

3. REGULAR AGENDA

A. Consider Resolution Calling for a Public Hearing to Create
Economic Development District No. 6

B. Dickman Trail Neighborhood Development – Discussion

4. ADJOURN

**MEMO
CITY OF INVER GROVE HEIGHTS**

TO: Inver Grove Heights Economic Development Authority
FROM: Thomas J. Link, Director of Community Development 
DATE: October 16, 2014 for Special EDA Meeting of October 22, 2014
SUBJECT: Creation of Economic Development District No. 6

PURPOSE/ACTION REQUESTED

The Inver Grove Heights Economic Development Authority (EDA) is to consider adopting a 'Resolution Calling for a Public Hearing to Consider Creation of Economic Development District No. 6', as enclosed.

BACKGROUND

River Country Cooperative has expressed an interest in selling their property, located along Dickman Trail, to the EDA. The purpose of the acquisition would be economic development. The property is located within one of the 'catalyst' redevelopment sites identified in the recent Concord Neighborhood Plan Update. The EDA would acquire the property, and, at some future time, sell the property for redevelopment. The EDA performed its due diligence, including the preparation of an appraisal, a Phase I environmental assessment, and a Phase II environmental assessment. The EDA and the River Country Cooperative have completed negotiations and the Cooperative has signed a purchase agreement.

ANALYSIS

Minnesota Statutes requires that a property must be in an economic development district before an EDA can acquire it. The EDA could consider establishing the requisite development district at a special meeting on November 24, prior to or after its City Council meeting. Minnesota Statutes also requires that the EDA conduct a public hearing when considering an economic development district.

CONCLUSION

The Inver Grove Heights Economic Development Authority (EDA) is to consider adopting a 'Resolution Calling for a Public Hearing to Consider Creation of Economic Development District No. 6', as enclosed.

Enc: Resolution Calling for a Public Hearing to Consider Creation of Economic Development District No. 6

cc: John Duchscherer, River Country Cooperative

CITY OF INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. _____

**RESOLUTION CALLING FOR A PUBLIC HEARING TO CONSIDER CREATION OF
ECONOMIC DEVELOPMENT DISTRICT NO. 6**

BE IT RESOLVED By the Board of Commissioners ("Board") of the City of Inver Grove Heights Economic Development Authority (the "Authority") as follows:

Section 1. Recitals.

1.01. Under Minnesota Statutes, Sections 469.090 to 469.1082 (the "EDA Act"), and specifically Section 469.101, subd. 1 thereof, the Authority is authorized to create and define the boundaries of economic development districts at any place or places within the City of Inver Grove Heights (the "City").

1.02. Within the boundaries of such economic development districts, the Authority may exercise any of the powers under the EDA Act.

1.03. The Authority desires to consider whether to establish Economic Development District No. 6 (the "District") in order to carry out foster the development of those areas pursuant to the EDA Act.

1.04. Minnesota Statute § 469.101 requires that the District may not be created until the Authority holds a public hearing on the matter preceded by published notice of the hearing in a daily newspaper of general circulation in the City at least ten days before the hearing.

Section 2. Consideration of District / Hearing Date.

2.01. The Authority shall hold a public hearing on Monday, November 24, 2014 at 6:00 p.m. to consider whether to create the District.

2.02. The tax parcel identification number and legal description of the proposed District is described in Exhibit A hereto, which is incorporated by reference.

2.03. The Executive Director shall cause notice of the hearing to be published at least ten days before the hearing in a daily newspaper of general circulation in the City. Further, the Executive Director shall mail notice of the hearing to the owner of the property proposed to be included in the District; for the purpose of giving mailed notice, owner is the owner on the tax records of the county.

Approved by the Board of Commissioners of the City of Inver Grove Heights Economic Development Authority this 22nd day of October, 2014.

Ayes:
Nays:

Attest:

Rosemary Piekarski Krech, President

Tom Link, Executive Director

EXHIBIT A

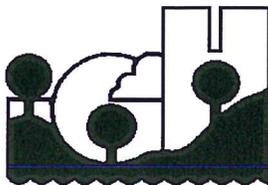
**LEGAL DESCRIPTION AND TAX IDENTIFICATION NUMBER OF
ECONOMIC DEVELOPMENT DISTRICT NO. 6**

The property contained within the boundary of Development District No. 6 is described below:

That part of the NW ¼ of the NW ¼ of Section 11, T27N, R22W, Dakota County, Minnesota and that part of Government Lot 8, said Section 11, described as follows:

Commencing at the northwest corner of said Section 11; thence S 89° 06' 40"E., assumed bearing, along the north line of said Section 11 a distance of 1120.18 feet to the easterly right-of-way line of S.T.H. No. 56 as built and monumented by the Minnesota Department of Transportation, said point being marked by a Judicial Landmark and being the point of beginning of the parcel to be described; thence S. 6° 50' 27" W, along said right-of-way, 270.59 feet; thence S. 83° 09' 33" E. along said right-of-way, 15.00 feet; thence S. 6° 50' 27" W. along said right-of-way, 150.00 feet; thence N. 83° 09' 33" W. along said right-of-way, 15.00 feet; thence S. 6° 50' 27" W. along said right-of-way, 295.38 feet to the north line of the south 600.00 feet of said NW ¼ of the NW ¼, said point being marked by a Judicial Landmark; thence S. 89° 06' 42" E. along said north line of the south 600.00 feet and the north line of the south 600.00 feet of said Government Lot 8, a distance of 655.38 feet to the westerly right-of-way line of the Chicago and North Western Transportation Company railroad right-of-way, said point being marked by a Judicial Landmark; thence N 6° 53' 41" W. along said westerly right-of-way line, 718.73 feet to the north line of said Section 11, said point being marked by a Judicial Landmark; thence N. 89° 06' 40" W. along said Section line, 483.79 feet, to the point of beginning and there terminating.

Dakota County Parcel ID No. 20-01100-27-012



CITY OF INVER GROVE HEIGHTS

MEMORANDUM

TO: Economic Development Authority

FROM: Joe Lynch, City Administrator

SUBJECT: Dixie Avenue/Dickman Trail discussion

DATE: October 15, 2014

Background:

I have been talking with and about this particular area with the property owner since 2010. I have enclosed a copy of a Memo I prepared for the City Council in 2011 outlining the Background, Acquisition, Relocation, Construction and some process issues related to the purchase of property, relocation of the business and re-development of the existing lots in or under the control of Mr. Frank Rauschnot and his partner(s). I won't rehash those here, but would like to review a meeting I had with Mr. Raushnot on August 27th of this year.

At that meeting I outlined the following two (2) options for his consideration.

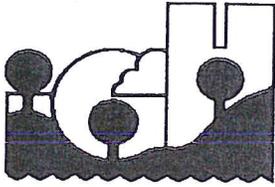
Option A – this is not indicative of preference, but of one of two for consideration

In this option the City or Economic Development Authority would acquire Mr. Rauschnot's property and that of any of his partners. The EDA would build a Commercial building on the acquired River Country Co-Op property. The RCC lot would be split into two parcels for the purpose of locating the Rauschnot building on one and possibly selling the remaining parcel or combining it with properties further to the south. The City would extend sewer and water to this building. The building would be leased to Mr. Rauschnot for a defined period of time at the conclusion of which he could decide to purchase the land and building or walk away. If he walks away the EDA owns the land and building and could sell the property to an interested party or consider modifications to the building and attempt to continue to lease to another commercial operation. The value of the sale of Raushnot property to the City/EDA could be used to offset those costs related to the lease of the building. Mr. Rauschnot would not retain ownership of his existing parcels nor would he control their re-development. The City/EDA has directed staff to research and review how to establish the Commercial development of this area.

Option B

In this option, the City/EDA would purchase the existing Rauschnot properties and would attempt to re-locate his business within the City of Inver Grove Heights. A current land owner or business owner would build to suit for this type of operation and lease this space to Mr. Raushnot in an established commercially zoned area of the City. The City/EDA could help to pay some of the relocation expenses to assist in this move and in order to keep the business and jobs in the City of Inver Grove Heights. Again, Mr. Raushnot does not retain ownership of his current property and does not get to say how the property is re-developed, other than to know it will be done so in accordance with the direction of the City and/or EDA.

The City/EDA has requested financial data from Mr. Raushnot and to date has not received anything that can be considered reliable or enable it to determine his current financial situation or capability of entering into a financial arrangement with the City/EDA. Unless he can prove otherwise, I think it is unwise for the City/EDA to enter into any kind of arrangement with Mr. Raushnot to relocate his business, build a building to suit, enter into a lease arrangement or loan him any money. If one of the criteria for consideration of keeping the Dickman/Dixie area zoned Commercial is to build around a business such as Mr. Raushnot's, I do not think that is advisable and the City/EDA should explore further the cost and tax revenue comparison of residential development to Commercial/Industrial development.



CITY OF INVER GROVE HEIGHTS

MEMORANDUM

TO: Mayor and City Council

FROM: Joe Lynch, City Administrator

SUBJECT: Economic Redevelopment

DATE: October 11, 2011

Background:

For the last year and a half I have been discussing and working with the property owner of Industrial Containers and the homeowner on the same property about the possibility of redevelopment of all of the property. As Council knows, the commercial business is the allowed use in this area. The property in question is surrounded by residential properties to the east, Industrial storage space to the south, and a County Road to the west. My position has been to negotiate the redevelopment of the whole area by starting with the relocation of this business to an area just south where the use, operation and appearance fits more closely. After acquisition, construction of a building and relocation of this business, the city could begin to acquire the other properties in anticipation of the change of desired uses brought about by the change in the amenities in the area: the Parkland development, construction and opening of the Rock Island Swing Pier and improvements to the infrastructure; Concord Boulevard reconstruction, pedestrian trail and sidewalk installation and removal of structures and creation of more wide open spaces. I have had several conversations with the owner and two meetings have occurred more recently with the Mayor and a Council Member present. I had written a summary reporting the general nature of the meeting, as well as entertaining an offer from the business and home owner. I will lay out, in general, the offer that was made by Industrial Containers and point out considerations for the Council and/or the EDA to think about as we continue to discuss and decide whether to move forward with any of these concepts.

Commercial Property Acquisition

As mentioned, there is a 10 acre, commercial property to the south of Industrial Containers that the property owner has had or currently has for sale. As a part of the opportunity to relocate this business to an area that is more conducive to an industrial use, a portion of that property could be purchased and used for the location of a building to house and allow Industrial Containers to operate. It is estimated that approximately 1.5 to 2 acres would be needed to allow a building

/ ?

of sufficient size to be built, with the possibility of some vertical expansion, that could serve the business for the foreseeable future (15 years) with enough space for required setbacks, parking, screening, etc.

Commercial Business Construction

This would involve the construction of a commercial building flexible enough to fit this type of use, but also one that could be rearranged for a different type of use in the future, if this user would end their lease. The request made is for a long term lease with payments to be applied toward the eventual ownership. We would have to work out financial details so that we could afford to hold the property long enough to get the return of value plus any improvements. Industrial Containers would like to make only set payments, plus not have any additional taxes due to the increase in value from their current property. They would like to continue to operate at their current location until the building was ready to occupy. They have requested many smaller detailed items such as no limit on the hours of operation; Steel or precast construction be allowed, no cost overrun to them if we, the City, make changes due to code or requested items. These would all have to be worked out, if the Council wanted to get into the build and lease operation.

Property Acquisition

We are being asked to acquire the current property occupied by Industrial Containers. They have placed a value on the property that is greatly outside of the appraised value we obtained almost two years ago and they are asking for a cash sale. In past negotiations I offered the business owner slightly more than the appraised value to try and motivate the sale, but was unsuccessful. They also do not want this transaction to be a part of the acquisition and relocation financing as mentioned above. As mentioned above they want to be able to stay in their current location while a building is being built and they want to receive the cash for their building while that construction is taking place. In addition, they have asked for a cash sale contingent upon conditions. The first is identification of a temporary location for the homeowner and business owner to live. The second is a request for City land and allowance to build their own home on the property given to them by the City.

Business Relocation

The business owner has indicated that he would like to be relocated to the new site, but will do this at his time and expense. However, he has asked that he be able to retain the sand blasting building for the new site, which he will relocate, as well as the paint booth. He has requested waiver of fees for utility connections and limitations on the building fees imposed by the City. He also would like the ability to protect the property by virtue of installation of a fence with razor wire at the top to prevent theft.

Residential property acquisition

The homeowner has indicated a willingness to sell the residential property immediately adjacent to Industrial Containers for one price with the commercial property. However, as indicated above, they request a temporary living arrangement whereby the City allows them to temporarily occupy a city owned property until such time that they can locate a lot and build a home or the City give them a lot, free of charge, provide utility hook up and they would build a new home for their use. They have also asked for waiver of all building fees. They have requested to keep and reuse the landscaping, rocks and other appurtenances on the current property.

Summary:

I have included a copy of the original request that was made by the owner so that you can see in more detail the requests they have made. I have not gone into some of the specifics because some of them are non-negotiable from our standpoint and if we do proceed any further the property owner would need to be made aware of those points.

As you are aware, we are conducting the Concord Area Study by talking with the various property owners and groups represented along the corridor to gain their input into the strengths and weaknesses of the area and desire to change or keep attributes. At the conclusion of our dialogues we will present a summary to the Council for consideration and direction. Our consultant will then return with a proposed Redevelopment Plan, with options, for further discussion. After further direction from the Council, we will return to the area and present to the property owners and groups again to be sure they have an understanding going forward.

As a part of this process, we have included funding for Market Study to determine the physical and financial realities of going forward with such a proposal. Will the idea have merit in the market place and will interested parties come to the table to redevelop according to our desire and plan? I have stated to the Industrial Containers owner that I would want to wait until we see what the plan entails and check it with the market before we would proceed. They have indicated that they want move as soon as possible.

The only other item I will mention at this time is the fact that with the reprised role of the EDA, there may be opportunities here that did not exist before the re-creation of that body. It may be best to get some of the tools in place with that group before dealing with this request. In addition, as staff understands it, in order to be able to use the EDA and any of its tools there will first have to be created an Economic Development District that identifies a geographic area that would include this property, as well as any others that the EDA may want to work with in the future.

Lynch

Relocation – \$1,800,000

Estimated cost for: site plan development, land purchase, site preparation, erection of a building, move blasting building and silo and installation. (This price does include the items listed under Relocation Incentives and Additional Expenses, but does not include any waived city permit fees and sales tax.)

- FIN 1. Fees waived for any /all city staff time on review of plans and specifications.
2. Fees waived for any / all hook up and permit fees.
- FIN 3. Fees waived for any permits that might be required to operate business and outdoor storage related to the business.
4. City to require reasonable standards for any part of the project to keep the cost down.
- FIN 5. City to finance the property purchase, all expenses to design, develop and build the building for the relocation. Will be a simple Contract (15 year, 3 months) between the city and Frank. No down payment or out of pocket expenses.
- FIN 6. No payment for 90 days after issuance of occupancy permit.
- FIN 7. No interest.
- FIN 8. Payment to be \$2500 per month for 2 years then increased to \$5000 per month till end of contract.
- FIN 9. Property taxes at \$8500 per year during contract and for 1 year after then to market rate.
- PROP 10. Unusable hillside property to be separate parcel to be purchased and owned by the city.
11. Contract to be assumable, with approved credit check done by city and interest applied at city's current borrowing rate, plus 1% unless city agrees to different interest rate amount.
- OUR PROP 12. Contract will allow building and/or property to be rented out, by us at anytime to a similar or permitted use in the I-1 industrial zone.
- OUR PROP 13. Property can be sold at any time for balance owed at time of sale. Fees waived, code items and/or incentives received during building process cannot be added onto balance owing.
14. If Contract is assumed property taxes would go to current market value unless city agrees to different rate amount.
15. Improvements to property/building can be made at anytime.

16. Property must remain zoned I-1 Industrial for 50 years.

* 17. No conditions for hours of operation or deliveries inside or outside.

18. Building can be steel or precast. With steel construction a decorative face will be on Dickman Trail side.

19. If a dispute during development and building of the site arise a quick settlement mechanism.

Changes Owners requested by owner.

20. Any changes increasing costs of development and/or building resulting from city staff error or desire will be an expense assumed by the city.

21. No prevailing wage requirements.

22. Frank to be general for development and building plan design through completion. *No.*

23. Residential property will not be used as collateral for relocation of business.

24. We will be responsible for our own moving expenses.

25. City Staff requested for the project and house improvements – Scott Thureen, Jeff Schadegg, and Mike Edwards.

26. One day after 15 years, 3 months from date of occupancy balance owing will be forgiven by the city upon which time full ownership turned over to us.

Relocation Incentives (paid by City):

1. Sewer and water brought to the building and hooked up. UTILITIES
2. Electric with 3 phase brought to property and all electric wires buried to the buildings. PRIVATE UTILITIES
3. Main building lights and electric installation and hooked up.
4. Natural gas brought to building and hooked up. Private
5. Phone and cable brought to building, buried and hooked up.
6. 8' fence to surround entire property, with 2 - 30' gates. Razor wire on top if possible. NO.
7. Security and surveillance system inside and outside of building and on property with yard lights. PART OR COST OF INSTALLATION
8. 5 acres of land prepared and parking area put in. ?
9. Overhead crane Installation

Additional Expenses - City Compensation

These are required code items which are currently grandfathered in at our location without them we would not be able to occupy the building or work.

1. Ventilation & heating system
2. Sprinkler system
3. Paint booth

Our property – shop & house only if relocation is approved & started.

No ADD House

1. \$650,000 cash out or ~~\$425,000 cash~~ and city owned property on Robert St. (city to pay for the cost of sewer and water to be hooked up and removal of septic system).
2. City pays for a survey with permanent markers installed.
3. City waives all permit fees required to repair house.
4. Enter into agreement and buy in near future. (Once the development has been approved and started).
5. Allow us to live and work here until home and development is complete or up to 18 months, with rent being the amount of property taxes payable for the time we occupy.
6. We get all boulders, rocks and landscaping block on the property.
7. We get blasting building and portable metal storage shed. *CANNOT BE USED ON NEW PROP*
8. Property cannot be resold to a business similar to ours, no welding, fabrication, blasting and/or painting.
9. Property to be used for market tax rate redevelopment if possible.
10. Upon our vacancy of property no buildings can be rented out.
11. Upon our vacancy we will offer our help to coordinate the property clean up at no charge for our labor.
12. We are responsible for our own moving expenses.
13. Would like some kind of sign on corner denoting Industrial Park listing businesses on Dickman Trail.

Benefit to the city to purchase our properties & relocation

1. Resolving a 45 year battle caused by the city allowing non-conforming homeowners to reside in an I-1 Industrial zone.
 - a. Savings to taxpayers
2. Will allow more vision for the redevelopment study on Concord Street.
3. 1st step in assembling the parcels of land needed to facilitate a redevelopment project.
4. Property redevelopment will increase tax base.
5. Property redevelopment will be aesthetically pleasing at both sites.
6. Turn wasted time listening to complaints from Grover, Fredericks and Darrow's into productive time.

Benefit business gains from relocation project

1. End 14 years of uncertainty the city created for our legal conforming business.
2. Allow business to finally expand.
3. Job Creation
4. Fabricate bigger equipment and increase sales.
5. No non-conforming homeowners as direct neighbors
6. Wasted time can be turned into productive time for both the city and ourselves.
7. Work without distractions caused by 2 non-conforming home owners, one of which is illegal.
8. Work without being under constant surveillance by non-conforming home owners.
9. Security & Surveillance System, fence with gates.
10. Will give us peace of mind that there is an end to this 14 year nightmare.

Benefits of property from City to us

1. Clean up blighted property
2. Less city liability and expense.
3. Put property back on tax roll.

Comments to Council

I would like all the city staff and council that have been around for the last 15 years to remember we didn't create the problems in the I-1 Industrial area. We have been the only conforming use of the property. This zoning is the only one suitable for our business and according to city zoning code our business always has been considered a legal permitted use for the property.

The city created this dysfunctional situation back 45 years ago by letting residents continue to live in this industrial zone. We asked 14 years ago for the city to help relocate our business if they intended to continue to cater to the homeowner's needs, which caused continued harm to our everyday operations and stifled the possibility of expansion, along with a lot of wasted time and money. All for something so easy a 10 year old could have figured it out.

Now due to development of a park and the redevelopment of the Concord Street area we have been asked to consider relocation. This makes expansion a necessity due to the increase in debt we will be taking on. At our age we should be thinking about retirement. With that said we are agreeable to relocation and increased financial liability and a lot of extra work as long as we come to a reasonable agreement for a home exchange and business relocation.

This looks to be the best solution for the city, taxpayers and ourselves to resolve a long standing, costly issue within this Industrial zone.