

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY SPECIAL MEETING
WEDNESDAY, OCTOBER 22, 2014 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Wednesday, October 22, 2014, in the City Hall Council Chambers. President Piekarski Krech called the meeting to order at 7:00 p.m. Present were Economic Development Authority members Bartholomew, Mueller, and Tourville; Executive Director Link, City Administrator Lynch, Finance Director Smith, and Secretary Fox.

3. REGULAR AGENDA

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

Tom Link, Executive Director, advised that the EDA is to consider calling for a public hearing to establish a new economic development district. River Country Cooperative has expressed an interest in selling their property to the City. The purpose of that acquisition would be economic development. As such, the most appropriate buyer would be the EDA. Minnesota Statutes requires that a property be in an economic development district before an EDA can acquire it, which requires a public hearing. An appraisal was done, as well as a Phase I and Phase II environmental assessment. River Country Cooperative has completed their negotiations with the EDA and has signed a purchase agreement. Staff recommends adoption of the resolution calling for a public hearing. The resolution indicates the hearing would take place on November 24 at 6:00 p.m. prior to the regularly scheduled City Council meeting.

President Piekarski Krech asked if the public hearing could take place at the November 10 EDA meeting.

Mr. Link replied that the purchase agreement was not signed in time to set the public hearing for November 10.

President Piekarski Krech asked if the development district boundaries would be set at the public hearing.

Mr. Link advised that the boundaries must be set prior to the public hearing because the notice must list the properties within the district. Staff has proposed defining the boundaries as solely the property to be acquired to be consistent with what the EDA has done in the past.

President Piekarski Krech stated that perhaps the boundaries should be expanded rather than continuously establishing different districts. She questioned how being in an economic development district would affect properties in terms of possible sale of their property.

Mr. Link replied that enlarging the boundaries to include other properties would alert property owners and potential buyers of the City's intent for that area to redevelop as stated in the Concord Neighborhood Plan. It would not change the value of property or the owners' ability to sell their property.

Boardmember Mueller asked for clarification of the Concord Neighborhood Plan.

Mr. Link stated that the plan that the City Council adopted in December 2012 showed the ultimate redevelopment of several properties in the Concord area, including the River Country Cooperative property.

Boardmember Mueller noted that the Concord Neighborhood Plan showed residential as well.

Mr. Link replied that although the Concord Neighborhood Plan showed scenarios for both industrial and residential, the EDA has since directed that they favor industrial for this area.

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – October 22, 2014

Boardmember Mueller asked if the area was I-1.

Mr. Link replied that the direction of the EDA in August was to refer to this area simply as 'industrial' rather than 'light industrial' or 'limited industrial'.

Boardmember Tourville asked when the public hearing notices would be submitted.

Mr. Link replied they had to be submitted by October 29.

Boardmember Tourville stated previously some property owners had indicated they wanted to be in the development district and others indicated they did not; therefore the EDA restricted the district to only the property being acquired.

Mr. Link advised that the public hearing notice regarding the Frederick acquisition was broad and included the River Country Cooperative, McPhillips, Darrow, Rauschnot, Austing, and Frederick properties. At the public hearing the EDA decided to restrict the district to just the Frederick property. A similar situation occurred with the property on the west side of Concord between 66th and 68th Streets.

President Piekarski Krech stated she did not recall any public comment on this particular area.

Mr. Link replied that the McPhillips' expressed an interest in being in the development district, Mr. Rauschnot opposed it, and the Darrows had no preference either way. He advised that based on previous actions staff was recommending the development district be restricted to just the River Country Cooperative property; however, the EDA could expand the boundaries.

Joe Lynch, City Administrator, stated the EDA must make a decision tonight regarding the boundaries because the affected property owners must be notified next week. He advised they may want to include as many properties as possible, and they could then exclude any properties that do not want to be included at the public hearing..

President Piekarski Krech stated that creating a broader district would give the EDA more flexibility.

Mr. Lynch suggested the district consist of all the property north of, and including, the River Country Cooperative property. He cautioned that the City has been approached by a property owner with a tenant situation who was interested in selling their property. This could trigger relocation costs, which historically the EDA has not paid.

Boardmember Mueller asked for clarification of the boundaries.

Mr. Link clarified that his understanding was that the EDA wished the boundaries to be everything between the railroad and Concord Boulevard, from the River Country Cooperative north to the corner of Dickman Trail and Concord Boulevard. He advised that the sliver properties between the railroad and Dickman Trail would be included as well and were owned by the same property owners to the west.

Boardmember Bartholomew questioned whether they should exclude the rental properties tonight or at the public hearing.

Mr. Link replied that they could do it either way; however, if the EDA was looking for a broader area, staff's recommendation would be to include the rental properties tonight and pull them out at the public hearing if so desired.

Boardmember Tourville suggested removing the rental properties now since the EDA is not interested in paying relocation costs.

Frank Rauschnot, 6840 Dixie Avenue, advised that he had previously opposed the district because of the uncertainty; however, he would be open to being included if the area was going to remain industrial.

Boardmember Tourville stated that being a part of a development district may allow for additional tools to become available to the City.

Mr. Link stated his understanding from the EDA was that the notice for the hearing should include all properties from the railroad to Concord, from River Country Cooperative north to the corner, excepting the rental properties.

Motion by Bartholomew, second by Tourville, to call for a public hearing to consider the creation of Economic Development No. 6 on November 24, 2014 at 6:00 p.m.

John Duscherer, CEO of River Country Cooperative, stated they would like to be included in the development district and move forward with the sale of the property. He advised they are looking at perhaps moving their head office to the City as well.

Ayes: 4

Nays: 0 Motion carried.

B. Dickman Trail Neighborhood Development

Mr. Rauschnot advised that at the time the wall along Concord Boulevard was being built, Mr. Lynch recommended to him that he relocate his business. Mr. Rauschnot stated he has enough room to expand at his current location; however, he has held off because of the uncertainty of the zoning. The EDA has stated they want the area to remain industrial, however, Mr. Lynch referred to the possibility of residential in his recent memorandum.

President Piekarski Krech asked Mr. Rauschnot how the EDA could help him expand his business.

Mr. Rauschnot stated he could either stay where he is or relocate to the River Country Cooperative property.

President Piekarski Krech asked which option would provide the most benefit to the City.

Mr. Rauschnot replied that in his opinion relocating his business to the southern portion of the River Country Cooperative property would work out the best for everyone; aesthetically it would make the surrounding property more marketable and there were many industrial businesses that would be more suitable for that location than his business.

President Piekarski Krech asked Mr. Rauschnot to describe how he envisioned his business if it were to relocate to the south end of the River Country Cooperative property.

Mr. Rauschnot provided a conceptual site plan. He stated he would like an 80' x 140' building which would allow for both assembly and repair bays, and also a sandblasting building near the hillside. The new building would allow him to improve production, increase his employee base, and store more product. He stated he would like to use the money he receives from selling his property to purchase capital

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – October 22, 2014

equipment and for overhead. He anticipated that he would only be responsible for some of the relocation costs.

President Piekarski Krech advised Mr. Rauschnot that the EDA would like to see him relocate and increase his employee base; however, he must provide proof that this would be a financially viable project for everyone.

Mr. Rauschnot replied that last month he documented time spent on tasks he would not have to do if he had the proper setup. The time spent on inefficiency totaled 42 hours at \$85 an hour for the month of September.

President Piekarski Krech advised it was approximately a week's worth of work.

Mr. Rauschnot advised that his gross yearly sales were approximately \$350,000 to \$400,000.

President Piekarski Krech asked Mr. Rauschnot how much he thought he could expand at the new location.

Mr. Rauschnot stated he has had to turn down work because of the constraints of his current location, and believed he could more than double his gross sales if he relocated. He advised that a large open building with an overhead crane would allow him to work more efficiently.

President Piekarski Krech asked Mr. Rauschnot if he had put together a cost estimate for such a project.

Mr. Rauschnot stated that in 2011 he submitted to the City a draft plan and cost estimate for the River Country Cooperative site, but never received a response. At that time the cost estimate was approximately \$1.8 million dollars; however, the land cost has since increased.

President Piekarski Krech asked if that estimate included the land.

Mr. Rauschnot replied in the affirmative, stating it included the entire parcel with the exception of part of the hillside, which the City would own. The estimate included items that would be required by code, such as fire sprinklers, paint booth, a handicapped bathroom, etc. The best options would be either a steel or Fabcon building. He advised that the estimate also included moving the blasting building and silo from his current location to the new property.

President Piekarski Krech asked Mr. Rauschnot if he was a training site for local colleges.

Mr. Rauschnot replied in the affirmative, stating he has worked with St. Paul Technical for several years with student internships. He felt he could attract higher quality employees at the proposed location.

Boardmember Bartholomew stated that the EDA needed more information from Mr. Rauschnot, such as the estimated cost of a new building, Mr. Rauschnot's financials, whether the sale of Mr. Rauschnot's existing property would be enough to acquire the new property and capital equipment necessary, and whether the new site would generate significantly more income or would the current site be workable with some modifications.

Mr. Rauschnot stated he could modify the business on his current site by putting on a second floor, building shelves for storing materials, etc., but has not done so because of the uncertainty.

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – October 22, 2014

Boardmember Bartholomew questioned the uncertainty, stating the property is zoned I-1 and even if it was changed Mr. Rauschnot would continue to have the right to stay there. He advised it may be easier to stay rather than pay so much for a new building.

Mr. Rauschnot stated he was reluctant to put more money into his current operation because of the continued problems with neighbors and Mr. Lynch's suggestion that he move.

Boardmember Bartholomew advised Mr. Rauschnot that he did not have to relocate unless he wanted to, and he asked what direction he needed from the EDA to help him stay where he is at.

President Piekarski Krech stated there were several years where Mr. Rauschnot was not allowed to operate his business as he needed to, even though he had the appropriate zoning.

Mr. Rauschnot stated that relocating to the River Country Cooperative property would allow him to move his business forward and would improve the look of the corner.

Boardmember Tourville advised Mr. Rauschnot that he must seriously look at all the relocation costs (equipment, building, lease, etc.) and determine whether he could afford to move or whether he would be better off remaining at his current location.

Dian Piekarski, 7609 Babcock Trail, thanked the EDA for their effort in working with Mr. Rauschnot on a possible relocation. She stated he has a long-standing business in the City that creates a product that is needed by businesses in the community. She stated Mr. Rauschnot has been professionally and personally attacked by neighbors and the government in the past, and this is a chance to move forward. She questioned whether other people wanting to do business with the City (i.e. Target, A & W, etc.) were required to show their financials. She added that because there have been two completely different options for the properties in this area (residential and industrial) it creates disinterest in improving personal property.

Boardmember Tourville stated the EDA has resolved that issue by making it clear that that area will be industrial.

Mr. Rauschnot noted an excerpt from Mr. Lynch's October 15, 2014 memo stating if one of the criteria for consideration of keeping the Dickman area zoned commercial was to build around a business such as his, he did not think it advisable to explore further the cost and tax revenue comparison of residential development to industrial development.

President Tourville reiterated that the EDA has stated they want the area to remain industrial. He advised that anyone wanting to do business with the City must submit their financials; however, that information is not always open to the public.

Mr. Rauschnot stated that relocating his business to the south would benefit everyone involved.

Boardmember Bartholomew stated that while the EDA understood that Mr. Rauschnot's work was valuable, they needed Mr. Rauschnot to provide financial information, as well as the cost of moving or modifying his current location, in order to determine the risk involved.

Mr. Rauschnot stated they needed to discuss how the costs would be divided, such as perhaps the EDA paying for three-quarters of the costs and he the other quarter, with the understanding that if he could not make the payments the building would go back to the EDA.

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – October 22, 2014

President Piekarski Krech stated the EDA needed specific costs and plans for both scenarios.

Boardmember Mueller advised Mr. Rauschnot that he needed to make a decision on whether he wanted to relocate or stay where he was, and then provide the necessary information.

President Piekarski Krech stated the relocation discussion began as a way to make the corner more aesthetically appealing with a different type of industrial that would have less noise and outdoor storage.

Mr. Rauschnot recommended that a sign be posted on the corner acknowledging the industrial park.

President Piekarski Krech asked Mr. Rauschnot to provide in current dollars an estimate of what the building would cost, his financial ability to pay for it, an estimate of how much his business would increase, and what he expects from the City.

Mr. Rauschnot advised that a draft was submitted to Mr. Lynch and included in the EDA packet.

President Piekarski Krech stated they needed a current plan and what the costs would be to each of the parties. She asked if a steel structure would be allowed in the I-1 zoning district.

Mr. Link replied that he would have to review the zoning ordinance, but believed they were either prohibited or only a portion of the building was allowed to be steel. He advised it could be constructed of materials such as concrete, wood, brick, etc.

President Piekarski Krech asked what materials were proposed for the United Properties development.

Mr. Link replied concrete tip-up panels.

Mr. Rauschnot stated the building could be made of whatever material was the most cost effective. If he relocated, he would like to construct an eight foot high solid fence in the front to help screen the building and provide security.

President Piekarski Krech asked Mr. Link to look into the building requirements for the I-1 zoning district. She advised that they could deal with Mr. Rauschnot's financial information in a private manner, as they have done with other businesses, and Mr. Rauschnot should decide if relocating would be in his best financial interest.

Mr. Rauschnot stated that relocating to the River Country Cooperative property would be beneficial for everyone, including himself. He advised that he would put some preliminary numbers together.

President Piekarski Krech stated they needed to determine what actions would be best for the City and for economic development. If Mr. Rauschnot's business expands, then perhaps other ancillary businesses would come in as well. More jobs would result in more people supporting local restaurants, retail, and services.

Boardmember Mueller advised that the EDA is willing to work with Mr. Rauschnot but they cannot start negotiations until they have the necessary information. He suggested that Mr. Rauschnot contact Fabcon to get an estimate for the building, determine other costs involved, such as utilities, and contact his bank. Mr. Link will look into the zoning regulations and whether or not a steel building is allowed.

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – October 22, 2014

Mr. Rauschnot did not think he should be charged for City staff services such as inspections and plan review. He advised that he asked Mr. Link to put together a punch list of items needed to be done in regard to a building permit.

Boardmember Tourville advised that at some point Mr. Rauschnot would need to provide his financial information, just as he would were he to go to a bank. He could request the information not become public; however, because this was a DEED grant some things may be out of the EDA's control.

Mr. Lynch stated that anyone seeking public assistance must disclose their financial information. In the case of Target, they did not have to disclose it publicly, but had to verify that they had the financial wherewithal to repay the loan. He suggested that they focus on the cost to relocate. The reason he suggested moving Mr. Rauschnot's business is because there are too many constraints at his current property. Mr. Rauschnot could submit a pro forma and then a lease amount would be negotiated between the parties. He clarified that the November 24th public hearing would be to determine the boundaries of the economic development district; not whether or not they would relocate Mr. Rauschnot's business.

President Piekarski Krech agreed with Mr. Rauschnot's suggestion that he be located southernmost on the River Country Cooperative property.

Mr. Lynch agreed, stating the remainder of the parcel could be combined with other properties for redevelopment.

4. ADJOURNMENT: Motion by Tourville, second by Mueller, to adjourn. The meeting was adjourned by unanimous vote at 8:40 p.m.