

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY REGULAR MEETING  
MONDAY, FEBRUARY 9, 2015 – 8150 BARBARA AVENUE**

**CALL TO ORDER/ROLL CALL** The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, February 9, 2015, 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, Hark, Mueller, and Tourville; Executive Director Link, City Attorney Kuntz, City Administrator Lynch, Finance Director Smith, Park and Recreation Director Carlson, and Secretary Fox.

**3. REGULAR AGENDA**

**A . Minutes**

**Motion by Bartholomew, second by Tourville, to approve the minutes from the October 22, 2014 Special Economic Development Authority Meeting, the November 10, 2014 Regular Economic Development Authority Meeting, and the November 24, 2014 Special Economic Development Authority Meeting.**

**Ayes: 4**

**Nays: 0**

**Abstentions: 1 (Hark)      Motion carried**

**B. Claims**

Boardmember Mueller asked if there were remaining expenses regarding the River Country Cooperative property.

Mr. Link replied that he was not aware of any outstanding acquisition costs; however, soil remediation would eventually need to take place.

Boardmember Mueller asked for the status on the Shipton property.

Mr. Link replied that staff continues to work with the Shiptons and he would anticipate bringing additional information to the EDA in the near future in an executive session.

Mr. Kuntz replied that an outstanding action for the River Country Cooperative property would be to remove the memorial from the Torrens certificate.

**Motion by Tourville, second by Bartholomew, to approve the disbursements from November 10, 2014 to February 8, 2015.**

**Ayes: 5**

**Nays: 0      Motion carried.**

**4. REGULAR AGENDA**

Boardmember Tourville asked to add Item E to the regular agenda to discuss appraisals.

**A. Dickman Trail Industrial Market Assessment Presentation**

Mr. Link advised that at previous meetings the EDA stated that they favored industrial development of the Dickman Trail area. The EDA then approved a proposal for Kirsten Barsness to assess the industrial market opportunities in the Dickman Trail area.

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Kirstin Barsness provided a brief overview of the process and presented a summary of her findings for the Dickman Trail Market Assessment. The main purpose of the assessment was to evaluate the viability of the Dickman Trail area as a redevelopment opportunity for additional industrial development within that area. They looked at how the market would respond to this opportunity for industrial development as well as the financial viability of the site if it was redeveloped into an industrial product. She advised that she gathered her data through Dakota County tax records, City staff, or first person interviews with top commercial/industrial developers. The main findings were that the site has a number of challenges for industrial development. The location is not ideal, with the numerous stoplights and lack of quick access to a major arterial. The triangular shape of the site (especially the north section of Dickman Trail) makes it difficult for developers to construct a rectangular building of a certain size. Another constraint is the location's close proximity to residential and the fact that industrial users prefer to be located near other industrial. A number of developers suggested that it was a good redevelopment site; however, they encouraged the City to look at an alternate use, such as residential or mixed use. The developers she spoke with advised that they would be disinclined to make an investment for an industrial product in this location because of the previously listed challenges. The property cost range for usable square footage is between free to \$4.00 per square foot. Those familiar with this site placed the range more between \$1.00 and \$2.00 per square foot, not including the infrastructure cost. Expected absorption for the property from the south end of the River Country Cooperative property north is estimated between three to five years, with absorption of the entire site taking between five to ten years.

Ms. Barsness advised that she used several resources and assumptions to complete the financial analysis. The City costs came directly from City staff, the County-based information came from the Dakota County website. Infrastructure costs were provided by the City Engineer. \$60 a square foot was used for determining the taxable market value of the buildings. The square footage that was used in the analysis was based on the shape of the site, the bluff constraints, overhead power lines, existing road infrastructure, and the right-of-way. The analysis estimated that the north half could support 51,000 square feet, with an additional 100,000 square feet on the southern half. The average developer price used was \$1.50 per square foot for buildable property which was the average of what developers were willing to pay based on responses received, and they used an appreciation rate of 2% annually in building values in the TIF analysis. The first step of the financial assessment was to see whether or not the cost that the developers were willing to pay per square foot would be enough to cover the costs of acquisition, remediation, infrastructure, etc. The price that developers were willing to pay (\$1.50 per square foot) for the buildable land created a significant gap. The shortfall for the northern portion of Dickman Trail prior to any type of TIF would be approximately \$3 million; creating a TIF District would reduce the gap to \$2.7 million. The shortfall for the entire site would be approximately \$5.9 million; creating a TIF would reduce the gap to \$4.9 million. From the market and financial perspective industrial development may not be the best reuse of the site. Ms. Barsness advised that a number of developers inquired as to why the City was not pursuing residential development on the site, and a few of them indicated an interest in redeveloping the site if it went to residential or mixed use development. One way to help close the gap would be to increase the sale price of the property. Residential property commands a higher price in the marketplace than does industrial. Increasing the amount of taxable value would also help decrease the gap. Residential multi-family creates a higher density taxable value on the site and increases the amount you can capture into a TIF district. Costs could also be decreased to help close the gap by receiving grant revenues or redeveloping it residential since residential infrastructure costs less than industrial.

Ms. Barsness advised that a number of developers were very positive on the community itself, many suggested alternative locations for industrial development within the city that would have a higher level of success than the Dickman Trail area, and she believed that with the right location the City could likely solicit developers to assist in that.

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President Piekarski Krech questioned why developers would recommend residential in an area that had challenges such as trains, overhead power lines, and bluffs.

Boardmember Bartholomew stated that the costs seemed unusually high and he asked if he could get more information regarding how they arrived at that number.

Ms. Barsness advised that the majority of the costs were in acquisition. The acquisition costs were determined by using either data from acquisitions that had already occurred or the taxable market value from the County multiplied by 1.5. She stated that the market value for the entire site as industrial would be approximately \$9M million whereas 100 units of multi-family residential would have a value of \$20M million. Also, residential redevelopment in the TIF District would be exempt from the Fiscal Disparities pool, whereas industrial development would require a 38% Fiscal Disparities contribution if they followed the City's past practices.

Boardmember Bartholomew asked Ms. Barsness if she felt they could realistically reduce the \$6 million gap by half by going residential.

Ms. Barsness replied in the affirmative.

Mr. Link advised that the remediation, demolition, and engineering construction cost estimates came from City staff and he could provide Boardmembers with more detail regarding those numbers.

Boardmember Bartholomew stated that he would like to see that information, and found it difficult to believe that the \$6 million dollar gap could be reduced by half with residential.

Ms. Barsness stated there were a number of constraints on the Dickman Trail area that made it less attractive to the private market insofar as redeveloping it on their own; they need the City as a partner.

Boardmember Tourville stated he would like to get more detailed information regarding the acquisition, demolition, and remediation cost estimates for both the north section and the site as a whole. He advised that many of the numbers would be similar with both residential and industrial. He stated that the developers interviewed were a powerful group active in the Twin Cities, and if the EDA wanted to get information from a different group they likely would get the same results. He found it interesting that the developers were not interested in developing the area on their own; however, they were willing to work with the City on a build-to-suit. He asked how current the Ehlers information was.

Mr. Link replied that the study was done in 2012.

Boardmember Tourville asked for clarification of a previous statement that the market value for industrial would be approximately \$9M million versus \$20M million for residential.

Ms. Barsness stated the residential estimate was for 100 units. She advised that she was very confident in the accuracy of her numbers as she received her information from past personal experience and from clients with experience in this area.

Dian Piekarski, 7609 Babcock Trail, questioned whether the Shoreview multiple-family housing development mentioned earlier by Ms. Barsness was comparable to the Dickman Trail area in terms of constraints, such as a nearby refinery, overhead power lines, railroad tracks, environmental contamination, a gentleman's club, odd-shaped lot, etc.

Ms. Barsness replied that they did have railroad tracks.

Ms. Piekarski asked Ms. Barsness if the developers had specified which areas of the City would be better suited for industrial development, she encouraged the EDA to pursue available grants, cautioned that even though developers may be willing to build residential in that area she questioned whether people would desire to live there, and stated she did not believe it would be a good location for low income housing.

Boardmember Tourville questioned whether she was referring to workforce housing rather than low income housing.

Frank Rauschnot, 6840 Dixie Avenue, questioned whether utility construction may actually be cheaper for industrial than residential since the area was solid bedrock and fewer connections would be needed with industrial, he advised that 200-plus train cars go through the area daily, he did not feel the triangular shape of the property was necessarily a disadvantage, a small business may have an opportunity to unload train cars there, employee parking could be constructed on the east side of the Dickman Trail, and the property had good access to I-494 and Highway 52. He did not think residential housing would work in that area.

President Piekarski Krech asked how wide the railroad right-of-way was.

Mr. Rauschnot replied that he believed there was 15-20 feet on either side of the track.

Ms. Piekarski Krech stated she did not support putting additional residential in this area, especially with the railroad being so close and the potential for noise complaints, accidents, or children running onto the tracks. She envisioned this area being a development with small businesses, stating if the City redeveloped Concord Boulevard as planned perhaps some of the existing businesses would be interested in moving to the Dickman Trail area.

Boardmember Tourville stated that he appreciated the report but needed time to review it.

President Piekarski Krech stated she would prefer to have businesses in this area rather than exposing residents to the challenging conditions of the site.

Boardmember Hark stated this site may be appropriate for smaller industrial uses.

Mr. Link advised that this presentation was for informational purposes and no action was being requested.

Boardmember Mueller suggested that the EDA do nothing on this topic for at least a year and instead focus on other priorities.

Mr. Rauschnot advised that he would like to have a meeting soon to discuss the costs regarding his relocation, noting that he did not agree with the proposal provided by Mr. Lynch.

President Piekarski Krech suggested that Mr. Rauschnot present a counter-offer.

Mr. Rauschnot stated he would be willing to meet next week regarding a relocation plan.

Boardmember Mueller asked if the meeting could be later as he would like to attend that meeting and was unavailable next week.

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Mr. Lynch suggested that they recess the EDA meeting as it was 6:00 p.m. which was the advertised time for the Special City Council meeting. He advised there were no applicants coming to the special meeting; however, as two of the three applicants withdrew and the remaining applicant would not be able to attend tonight's interviews due to a death in the family.

**Motion by Piekarski Krech, second by Mueller, to recess the EDA meeting.**

**Ayes: 5**

**Nays: 0      Motion carried**

President Piekarski Krech reconvened the EDA meeting at 6:09 p.m.

**B. Consider Approval of 2015 EDA Work Plan**

Mr. Link requested that the EDA identify issues that it would like to focus on this coming year. He noted that the four items suggested by staff, in order of priority, were Concord redevelopment, EDA financing, Gun Club site, and the Arbor Pointe commercial area. Staff recognizes that other unanticipated issues may arise.

Boardmember Mueller stated he would prefer to reverse the order of priority.

Boardmember Hark advised that he would like to give Arbor Pointe commercial first priority.

Boardmember Tourville suggested they focus on all commercial in the City, stating that other commercial areas may question why all the effort was put specifically on Arbor Pointe.

President Piekarski Krech suggested they change the item listed as 'Arbor Pointe commercial' to 'Inver Grove Heights commercial'.

Boardmember Bartholomew suggested focusing on the four items listed but not prioritizing them.

Boardmember Hark advised that if everything is a priority then nothing is a priority; however, he also agreed that the four items were important and should perhaps be given equal weight.

President Piekarski Krech believed that staff's first priority should be looking into what the impediments are to commercial in the City, and trying to retain existing commercial as well as bringing in additional commercial.

Boardmember Tourville stated that some of the issues affecting commercial activities, such as expensive leases, are beyond the City's control.

President Piekarski Krech questioned if the community supports the local businesses.

Boardmember Tourville favored not numbering the four work plan items.

Boardmember Mueller stated he no longer wanted to discuss residential redevelopment on Concord.

**Motion by Tourville to approve the Economic Development Authority's 2015 Work Plan which includes the four items identified by staff.**

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Boardmember Bartholomew stated he would second the motion only if it included looking into whether local government was doing anything that was hindering business and if so, could they do anything better.

Boardmember Tourville stated that would likely be discussed as part of one of the four items.

**Bartholomew seconded.**

Mr. Link asked for clarification that the motion was to approve the work plan with the four items recommended by staff, with the exception of the activity regarding Arbor Pointe commercial being expanded to include all commercial citywide, and no priority being given to any of the items.

President Piekarski Krech and Boardmember Tourville stated that the highest priority should be placed on commercial in Arbor Pointe as well as the remainder of the City.

Boardmember Mueller asked for an update on the Gun Club site.

Mr. Link replied that the consultant report on environmental remediation was approximately 90% complete. Negotiations would continue with the State once that report was complete.

Boardmember Mueller asked when the last contact was made between MNDOT and the City.

Mr. Link replied that the last contact was about six months ago.

Boardmember Mueller asked if the City should enlist the help of their representatives.

Mr. Link replied that it would be premature at this point, but would be an avenue they could take should they get to a point where they were getting nowhere in negotiations.

**Ayes: 5**

**Nays: 0      Motion carried.**

**C. Consider Approval of Joint Powers Agreement with Dakota County CDA for 2015 'Open to Business' Program**

Mr. Link asked the EDA to consider approving the Joint Powers Agreement between the Dakota County CDA for the 2015 'Open to Business' program. The County's representative, Laurie Crow, will provide the annual report, along with the information previously requested by the EDA, in the next couple weeks. The City's share of the cost remains at \$6,250.

Boardmember Tourville requested that in the future the EDA receive the annual report by the end of January or February.

**Motion by Tourville, second by Bartholomew, to approve the Joint Powers Agreement between the Dakota County Community Development Agency and the City of Inver Grove Heights regarding the 'Open to Business' program.**

**Ayes: 5**

**Nays: 0      Motion carried.**

**D. Consider Election of Officers**

**Motion by Bartholomew, second by Tourville, to appoint Piekarski Krech as President, Bartholomew as Vice-President, Tourville as Treasurer, City Finance Director as Assistant Treasurer, and the Executive Director’s Designee as Secretary.**

**Ayes: 5**  
**Nays: 0      Motion carried.**

**E. Dickman Trail Appraisals**

Boardmember Tourville suggested that the City get appraisals on the industrial property on the northern section of Dixie Avenue.

President Piekarski Krech questioned whether they should get appraisals on all property that the City does not own north of River Country in the Dickman Trail/Dixie Avenue area.

Mr. Link advised that one of the property owners in this area has given formal interest in selling to the City; there are three remaining properties that the City does not have appraisals on.

Boardmember Bartholomew asked if authorization from the property owner was required in order to do an appraisal.

Mr. Link replied that he was unsure as the previous acquisitions have typically been owner-initiated. He advised that the City could probably ask for the property owners’ cooperation to come onto the property; however, if they refuse they could still proceed with the appraisal based on what they could see from the street.

**Motion by Tourville, second by Mueller, directing City staff to obtain an appraisal for all property the City does not own north of River Country Cooperative.**

Boardmember Tourville asked staff to advise the affected property owners of the EDA’s action.

**Ayes: 5**  
**Nays: 0      Motion carried.**

**5. NEXT MEETING** – The next Regular EDA meeting will be held on May 11, 2015.

**6. ADJOURNMENT:** Motion by Mueller, second by Tourville, to adjourn. The meeting was adjourned by unanimous vote at 6:29 p.m.