



**INVER GROVE HEIGHTS  
ECONOMIC DEVELOPMENT AUTHORITY AGENDA  
SPECIAL MEETING  
MONDAY, SEPTEMBER 17, 2012  
CITY HALL LOWER LEVEL TRAINING ROOM  
6:00 P.M.**

**1. CALL TO ORDER**

**2. ROLL CALL**

**3. REGULAR AGENDA**

A. Discuss Concord Study – Redevelopment Tools and Process \_\_\_\_\_

**4. EXECUTIVE SESSION**

A. Discuss Property Acquisitions \_\_\_\_\_

1. 8195 Babcock Trail \_\_\_\_\_

2. 6671 Concord Boulevard \_\_\_\_\_

3. 6685 Concord Boulevard \_\_\_\_\_

**5. NEXT MEETING – November 5, 2012**

**6. ADJOURN** \_\_\_\_\_

**MEMO**

**CITY OF INVER GROVE HEIGHTS**

**TO:** Inver Grove Heights Economic Development Authority (EDA)  
**FROM:** Thomas J. Link, Director of Community Development   
**DATE:** September 13, 2012 for Special EDA Meeting of September 17, 2012  
**SUBJECT:** September 17, 2012 EDA Agenda

Enclosed is the agenda and packet for the September 17 Economic Development Authority (EDA) special meeting.

Concord Study

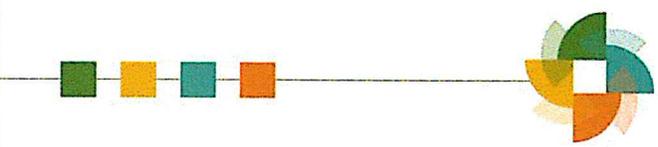
The main purpose of the special meeting is to further discuss the Concord Study. Stacie Kvilvang of Ehlers will make a presentation about redevelopment. That presentation will address the nature of development, city roles, financial tools, and examples of other cities' redevelopment efforts. Enclosed, for the EDA's information, is Stacie's PowerPoint presentation.

Property Acquisition

City staff will request the EDA to go into an executive session to discuss ongoing acquisition negotiations. Staff will provide an update regarding the potential acquisition of properties at 8195 Babcock Trail, 6671 Concord Boulevard, and 6685 Concord Boulevard and request further direction from the EDA regarding the acquisition negotiations.

Enclosure

cc: Jennifer Gale, Progress Plus  
Ellen Waters, Progress Plus  
Stacie Kvilvang, Ehlers & Associates  
Brad Scheib, Hoisington Koegler Group Inc.  
Brian Harjes, Hoisington Koegler Group Inc.



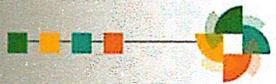
# Redevelopment and Financing

*September 17, 2012*

Stacie Kvilvang – Ehlers



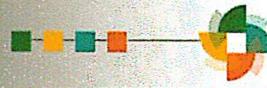
## Why Cities Redevelop



- **Why cities do redevelopment**
  - ✓ Spur economic investment and expand tax base
  - ✓ Change perception & restore community vitality
  - ✓ Attract employment
  - ✓ Encourage community reinvestment
  - ✓ Need to compete with developing and/or surrounding suburbs



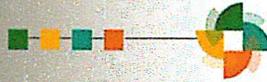
## Issues in Redevelopment



- **Site Assembly – Biggest Hurdle**
  - ✓ **Number of parcels**
  - ✓ **Costs More to Buy Improved Land vs. Vacant Land**
    - Some form of public assistance is likely needed to bring land down to “market” price for end use
  - ✓ **Who buys – Developer or city?**
    - Have developer acquire and give them some form of public financing assistance to write the cost down
    - City can purchase, have developer pay fair market value and the City can pay itself back using various public finance tools
  - ✓ **What to Buy and When**
    - Pros of Land Banking
      - ✓ Land owner willing and ready to sell (bird in hand)
      - ✓ Opportunity Cost
    - Cons of Land Banking
      - ✓ No end-user
- **Existing Businesses/Homes**
  - ✓ **Can they be relocated within the community**
    - Need a plan



## How Much Public \$ is Too Much?



- **Cost of not doing redevelopment**
  - ✓ Decrease in property value and loss in tax base
    - Means taxes have to go up for other property owners
  - ✓ Public safety issues
  - ✓ Negative perception
  - ✓ Don't maximize public investment to date
- **What is the Correct Cost**
  - ✓ Determined by each community



## Different Roles City Can “Play”



- Typically some form of public/private partnership is required to undertake redevelopment



## Different Roles City Can “Play”



- **Passive**
  1. Planning
    - Wait and react to plans a developer brings forward, if ever
    - Only control is zoning
- **Active**
  1. Master Developer
    - Actively go out and seek developers to develop City's vision for area
  2. Financing
    - Assist and/or actively pursue grants
    - Can provide public assistance and determine risk level you are willing to undertake, if any (pay-as-you-go and/or up front funding)
  3. Land Acquisition
    - Assemble parcels as they become available
    - Actively pursue key or difficult acquisitions



## Different Roles City Can “Play”



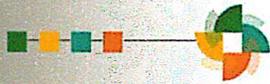
- **Active**

4. Act as a facilitator between developers and land owners
  - City may have existing relationships that can bring two parties together
5. Planning
  - If City owns land developer needs **and/or** provides public assistance have more “control” over what is developed

- **Typically some combination of active participation is utilized by cities**



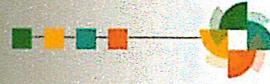
## Financing Tools



- Tax Increment and Abatement



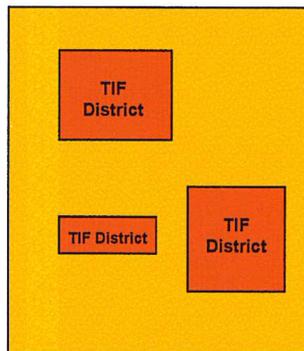
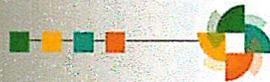
## What is TIF?



The ability to capture and use most of the increased local property tax revenues from **new development** within a **defined geographic area** for a defined period of time without approval of the other taxing jurisdictions.



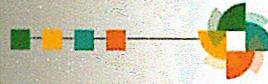
## TIF District: Where increment is collected



- Defines parcels whose increased value will be captured
- Parcels do not have to be contiguous, but usually are
- Must meet criteria in State law for type of District being established

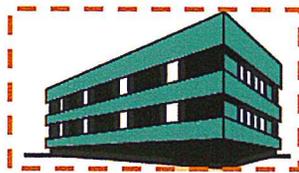


## Building Blocks of TIF



TIF District “captures” increased value from new development

Development occurs = New Tax Capacity

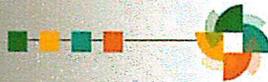


$$\text{TIF} = \text{Captured Tax Capacity} \times \text{Local Tax Rate}$$

Original Tax Capacity



## Building Blocks of TIF



The original (“base”) market value established when District created

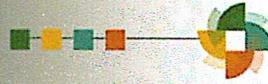
Tax revenues continue to go to all local governments



Original Tax Capacity



# Commercial TIF



Insert Rows		PROJECT INFORMATION (Project Tax Capacity)						
Area/Phase	New Use	Estimated	Taxable	Total	Total Taxable	Property	Project	
		Market Value	Market Value		Market Value			Tax Class
		Per Sq. Ft./Unit	Per Sq. Ft./Unit	Sq. Ft./Units				
	Retail	150	150	20,000	3,000,000	Gen Prof.	59,250	
<b>TOTAL</b>					3,000,000		59,250	

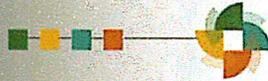
TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Retail	59,250	23,178	36,071	39,596	32,901	30,277	6,805	109,578	5.48
<b>TOTAL</b>	59,250	23,178	36,071	39,596	32,901	30,277	6,805	109,578	

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	109,578
less State-wide Taxes	(30,277)
less Fiscal Disp. Adj.	(7,458)
less Market Value Taxes	(6,805)
less Base Value Taxes	(13,584)
<b>Annual Gross TIF</b>	<b>51,455</b>

Developer receives  
\$.42 on the dollar



# Housing TIF



Insert Rows		PROJECT INFORMATION (Project Tax Capacity)						
Area/Phase	New Use	Estimated	Taxable	Total	Total Taxable	Property	Project	
		Market Value	Market Value		Market Value			Tax Class
		Per Sq. Ft./Unit	Per Sq. Ft./Unit	Sq. Ft./Units				
	Apts	95,000	95,000	120	11,400,000	Rental	142,500	
<b>TOTAL</b>					11,400,000		142,500	

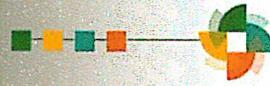
TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apts	142,500	0	142,500	156,422	0	0	25,857	182,280	1,519.00
<b>TOTAL</b>	142,500	0	142,500	156,422	0	0	25,857	182,280	

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	182,280
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(25,857)
less Base Value Taxes	(13,584)
<b>Annual Gross TIF</b>	<b>142,838</b>

Developer receives  
\$.70 on the dollar



## How Can TIF be Spent?

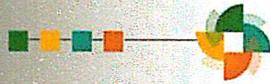


### Must Be Costs Associated with New Development

- ✓ Land Acquisition
- ✓ Demolition and Relocation
- ✓ Site improvements
- ✓ Utilities, Streets, Sidewalks
- ✓ Environmental Clean-up
- ✓ Parking
- ✓ Buildings (but only for housing or new economic development districts)



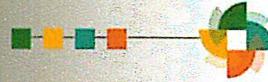
## How Abatement Works



Allows **each** major taxing jurisdiction to choose to contribute **its share** of the taxes and limit abatement in any manner it determines appropriate



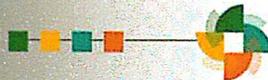
## Restrictions for Abatement



- In any one year, the **TOTAL amount** a political subdivision may abate may not exceed the greater of:
  - ✓ Ten percent of its net tax capacity
  - ✓ \$200,000
  
- May not abate taxes on a parcel while it is located in a TIF district



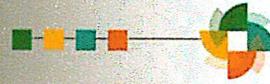
## Abatement and Tax Levies



- Abatements are special tax levies outside of levy limits
  
- Amount of abatement must be added to total levy for the current year
  
- May have impacts on other taxpayers
  - ✓ Depends on how much of taxes City abates
    - Incremental taxes – No impact
    - 100% of taxes - Impact



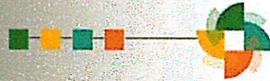
## TIF vs. Abatement



- TIF Districts vary in length from 9 to 26 years, depending upon the type of district
- TIF does not require approval from County and School
- TIF can only be captured on new value of development
- Abatement is a maximum of 8 to 20 years, depending upon use and number of entities participating
- Abatement requires approval from each taxing entity
- Current taxes can be abated



## What Other Cities Have Done



- St. Anthony, Columbia Heights, Monticello, Crystal



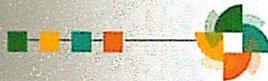
## St. Anthony – Commercial Redevelopment



- **Apache Plaza Shopping Center**
  - 95% Vacant
  - Structurally and Economically Obsolete
  - Marginalized Commercial Area
  - Silver Lake Pollution Issues
  - Poor Site Access and Circulation



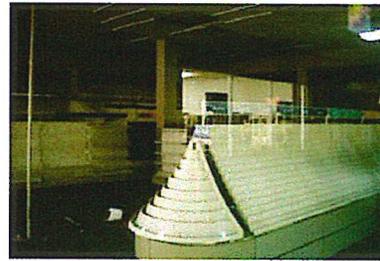
## Issues for Redevelopment



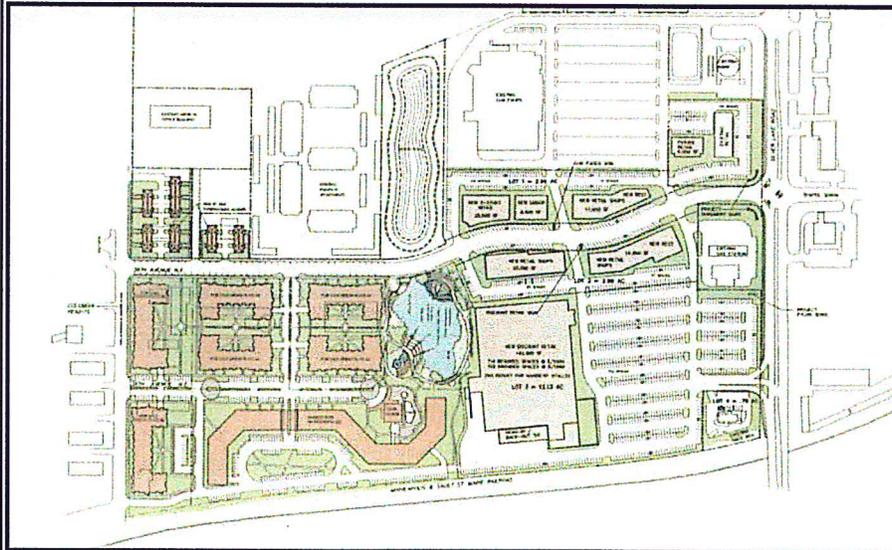
- Develop significant commercial/retail area in the community
- Redevelop City-Owned Liquor Store to remain profitable
- Construct 39th Avenue as a thoroughfare
- Acquire several parcels and relocate over 25 businesses
- Provide housing opportunities not currently available in the City
- Develop a community park
- Upgrade surrounding properties (Cub Foods, apartment complex, office building and Baker's Square)



## Before Redevelopment



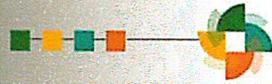
## Proposed Redevelopment



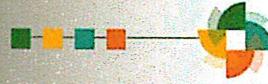
## Commercial Development



## Wal Mart and Cub Foods



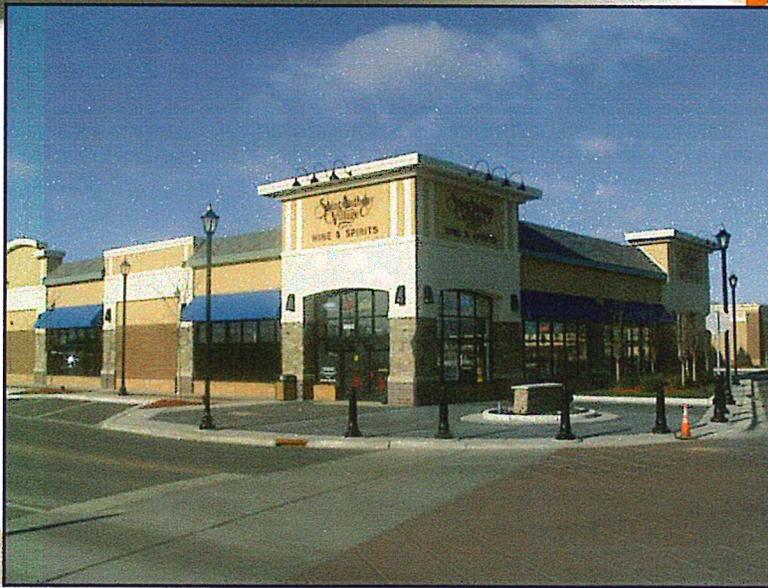
## City Liquor Store/Tires Plus Redevelopment



- Second City Municipal Liquor Store city redeveloped in one year
- Had to complete design
- No “out of pocket” expenses for new store
- Tried to make transition seamless
  - No down time for store
  - Move from existing to new
- Tires Plus relocated across street in new building



## New Liquor Store #2

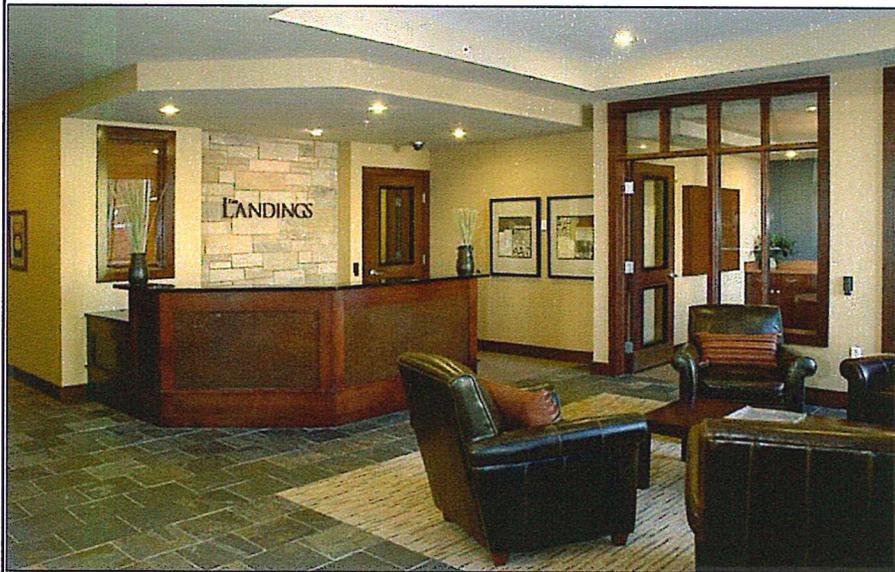


# Rental Housing Development



Housing Image - South View Down Main Entry Drive

## Lobby



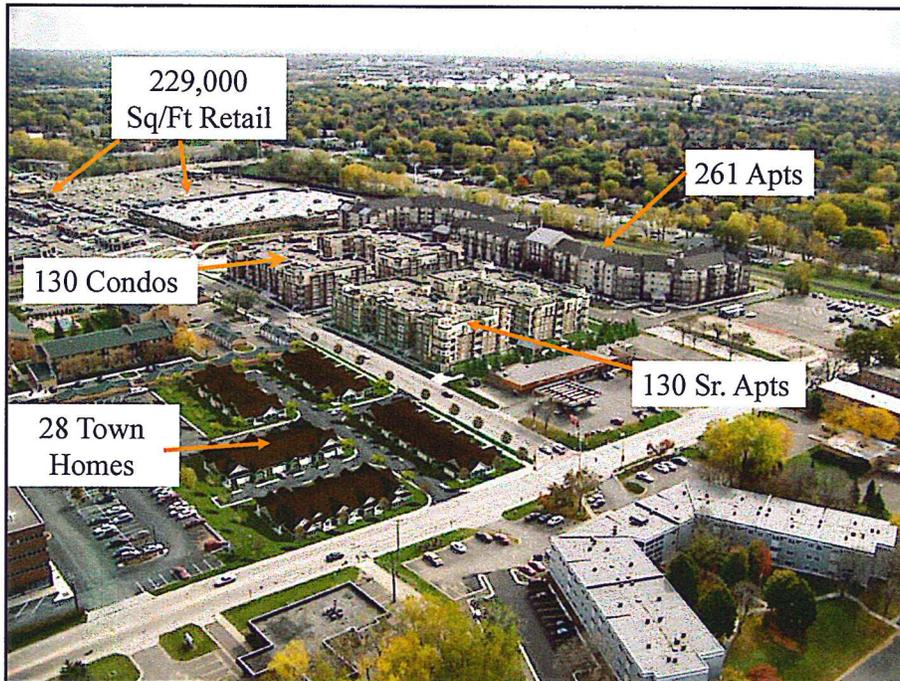
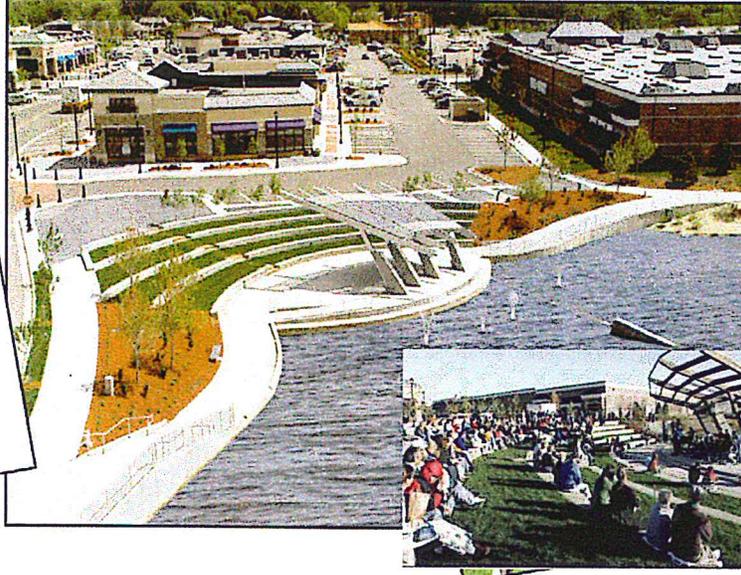
## Community Room



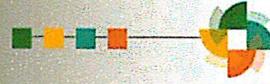
## For Sale Housing Development



## Park Development



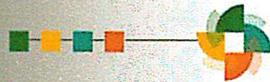
## Role of City – Active, But Low Risk



- Completed process to find developers to implement their Vision
- Actively pursued and received grant funding
- Created a TIF district and provided TIF on PAYGO basis
  - ✓ Issued TIF revenue bonds for portion of development after it was constructed
- Developer paid for all consulting fees
  - ✓ City Attorney, Planning Firm, Fiscal Consultants
    - \$750,000 over 3 year period
    - City had no "out of pocket" expenses
- Charged 1% financing fee on Housing Revenue Bonds for rental housing
  - ✓ \$375,000 to General Fund
- Required development to pay for new 39<sup>th</sup> Avenue
  - ✓ Total of \$2,205,000 paid by commercial and housing (100% assessed)
- Increase SAC/WAC fees
  - ✓ Raised \$500,000 for new lift station and used additional TIF from district to pay for lift station
- Obtained Fannie Mae Loan
  - ✓ Cheaper to borrow from them (under 3%) then for developer to go out and obtain private financing
- Completed Land Swap for New Liquor Store
  - ✓ No out of pocket \$ spent for new store and no down time in transition



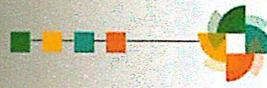
## Before and After Value



- Redevelopment began in 2003
- Total property value of the parcels these developments were placed upon was \$5.9 million
- Current property valuation is \$97.2 million
- Over 1,500% increase in property valuation due to redevelopment
- Last development component beginning in 2013
  - ✓ 130 unit senior rental
    - Additional \$12.5M in valuation to be added
- Total of **14** years from plan conception to full build out



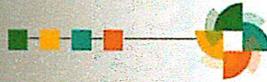
## Private Spin Off – No public participation



- New Culvers constructed
- Major renovation of existing adjacent apartment complex
- Major renovation of adjacent office building
- Bakers Square remodeled
- Existing strip mall and US bank building remodeled



## Columbia Heights

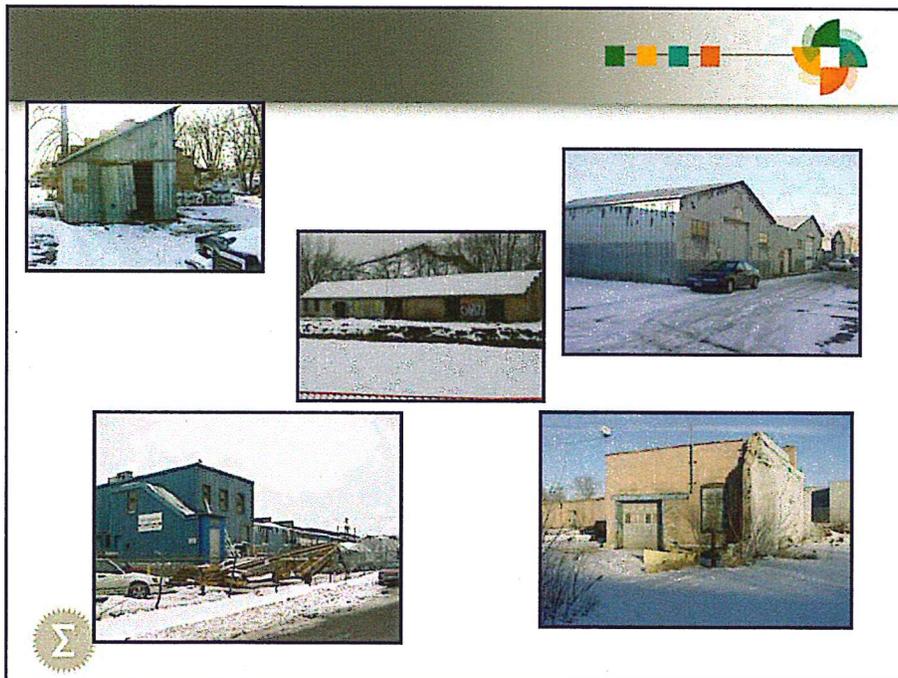


- **Industrial Park Redevelopment**
  - ✓ 9 Contaminated Properties & 15 Blighted Buildings
  - ✓ \$5,000,000 of Contamination
  - ✓ (Chlorinated Solvents, Lead, Dow Therm "A", Land Fill, Foundry Sand w/ Boron)
  - ✓ No Storm Water Retention/Neighborhood Flooding
  - ✓ Extremely Low Property Value and Taxes
  - ✓ Dilapidated Image

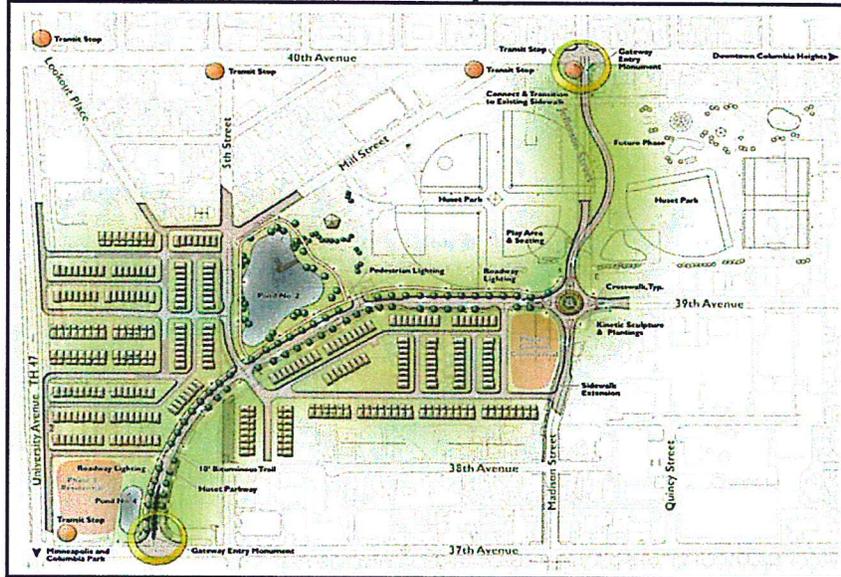


Substantial Vacancies & Declining Jobs

# Site B/4 Redevelopment



# Redevelopment Concept



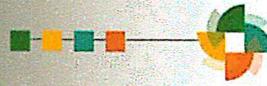
## Benefits of Redevelopment

Before	After
9 – Contaminated Properties & 15 Blighted Buildings	550 new for-sale homes 13,000 sq. ft. commercial
Contamination \$5,000,000	Cleaned to Residential Standards
Storm water – None	Resolved neighborhood flooding issues
\$5,200,000 - Property Value	\$125,000,000 – Property Value
\$47,000 – Property Taxes (annual)	\$1,700,000 – Property Taxes
N/a	More affordable school district operating levy
Dead in the Water	A significant catalyst for further redevelopment

## Grant Funding Essential

Amount	Source	Purpose
\$50,000	Anoka County - CDBG	Planning
\$247,908	Anoka County - CDBG	Property Acquisition
\$50,000	DEED - TBRA	Phase 2 ESA
\$50,000	Metro Council - TBRA	Parkway Feasibility Study
\$1,001,640	DEED - TBRA	Phase 1 Clean up
\$231,731	Metro Council -TBRA	Phase 1 Clean up
\$582,897	DEED -TBRA	Phase 2 Clean up
\$288,892	Metro Council - TBRA	Phase 2 Clean up
\$798,326	DEED - TBRA	Phase 3 Clean up
\$292,955	Metro Council - TBRA	Phase 3 Clean up
\$580,147	Metro Council - TBRA	Parkway Improvements
<b>\$4,174,496 - TOTAL</b>		

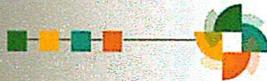
## Role of City – Active, But Low Risk



- Completed process to find developer to implement their Vision
  - ✓ Developer completed all land acquisition, except 1 parcel the City purchased
- Created a TIF district and provided TIF on PAYGO basis
- Actively pursued and received grant funding
- Developer paid for all consulting fees
  - ✓ City had no "out of pocket" expenses
- Required development to pay for new roads
  - ✓ Total of approximately \$6.2 million
- Coordinated submission of grants and administered grant funds
  - ✓ Total of nearly \$4,200,000
- Payment of SAC/WAC fees
- Payment of park dedication fees
  - ✓ \$1,906,000 to date



## Before and After Value



- Redevelopment began in 2004
  - ✓ Total of 254 town homes to date
  - ✓ Total of 9 years from plan conception to partial build out
- Total property value of the parcels these developments were placed upon was \$2.9 million
- Current (pay 2012) property valuation is \$34 million
- Over 1,172% increase in property valuation due to redevelopment
- Yet to be developed
  - ✓ Multi-family with small retail portion
  - ✓ 50 more town homes
  - ✓ Senior cooperative





- Recreating downtown
- Geographic and Historical Context
- Required many tools, changes in or new ordinances, policies and various funding sources





## Community Center



- **78,000 square feet**
- **Clean up petrol tank farm soils via State Grant**
- **Total Cost of \$12,000,000 including land**
  - Activity Center
  - City Hall
  - Sr. Center
  - Recreation – Pool, fitness, wheel park, climbing wall
  - Meeting space



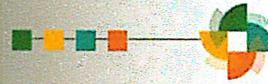
**Community Center Site – Bulk Tank Farm in Center of Town**



**Community Center  
Today**



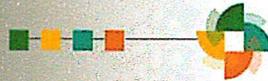
## Role of City - Active



- Purchased property for new Community Center/City Hall and issued Lease Revenue Bonds
  - ✓ Sold land not needed for public use to private developer at market to develop retail
- Created a TIF district
  - ✓ To repay City for land acquisition and assist in payment on lease revenue bonds



## City of Crystal – Cavanagh School Redevelopment

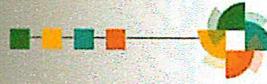


- School closing
  - ✓ Old building built back in the 1960's
  - ✓ 8-Acre site
- Adjacent school district property was used by City as a park
  - ✓ 4-Acres and City wanted to retain it as open space





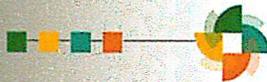
## Role of City – Active, But Low Risk



- City initiated and will purchase property
  - ✓ Will be reimbursed 100% by developer
- Completed process to find developer to implement their Vision
  - ✓ Developer interviews/roundtable and mini RFQ to 2 that showed interest
- Will use TIF from existing district to provide pay-as-you-go financing
  - ✓ Approximately \$1M
- City actively pursued and received grant funding
  - ✓ Nearly \$416,000 for remediation and demolition
- Developer paid for all consulting fees
  - ✓ City will have no "out of pocket" expenses
- Payment of SAC/WAC fees
  - ✓ Approximately \$240,000
- Payment of park dedication fees
  - ✓ \$196,000
  - ✓ Plus get 4 acre park dedicated to City



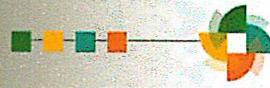
## Before and After Value



- Redevelopment to begin in 2013
- Total property value of the parcel is \$0 because it is owned by a tax-exempt user (school district)
- Property valuation is expected to be approximately \$12.35 million
- Tax exempt property coming on tax roles right away
  - ✓ City's portion of taxes is approximately \$50,000/year



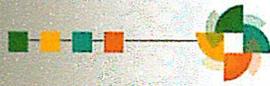
## Final Thoughts



1. **Need to managing expectations and turn obstacles into opportunities**
2. **Not as many developers as prerecession so you are competing for good developers**
  - ✓ Reputation in their market is important so have plan/vision and don't give a slow "no"
  - ✓ Master developers don't necessarily exist
3. **Because there are fewer good developers, may need to take more risk in some projects**
  - ✓ Can be as easy as issuing improvement bonds and assessing property over time to make needed public improvements
4. **Risk is not bad and can be quantified**
  - ✓ Those cities that do take risks will redevelop faster than those that don't



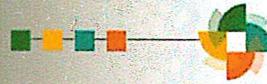
## Final Thoughts



5. **Can't always buy the problem**
6. **Every redevelopment is unique onto itself**
7. **Need to focus on the big picture and not get mired down in details**
8. **Need to view any public dollar investment in the redevelopment as a short term investment for a long term gain**
  - ✓ **Increased property valuation**
  - ✓ **Hillside Senior Housing**
    - Value today \$695,000 (7 parcels)
    - Value of new 80-unit assisted living \$7,600,000
    - 1,094% increase in property valuation



## Next Steps



- Preliminary site design and financial feasibility analysis presented to EDA
  - ✓ September 24<sup>th</sup>
- EDA/City Council determines role it wants to play
  - ✓ TBD
- Review of final site design and design standards
  - ✓ October 22, 2012
- Finalize the redevelopment plan as appropriate
  - ✓ October 22, 2012
- Neighborhood meetings on redevelopment plan
  - ✓ Early November
- Develop an implementation strategy
  - ✓ First quarter 2013
- Formal adoption of plan
  - ✓ First quarter 2013



## Questions

