

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, NOVEMBER 7, 2011 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, November 7, 2011, in the City Council Chambers. President Tourville called the meeting to order at 6:00 p.m. Present were Economic Development Authority members Grannis, Madden, and Klein; Executive Director Link, City Attorney Kuntz, and Park and Recreation Director Carlson.

3A. MINUTES

Motion by Klein, second by Grannis, to approve the Minutes of the August 1, 2011 Regular Economic Development Authority meeting.

President Tourville asked if the EDA was agreeable with signifying they were in favor by saying aye as opposed to calling the roll.

The EDA unanimously agreed to the recommendation.

Ayes: 4

Nays: 0

3B. CLAIMS:

Treasurer Klein summarized the claims for the last quarter and requested approval of disbursements totaling \$510.25.

Mr. Link advised that he received an additional invoice from Kennedy Graven for \$262.50, for a grand total of \$772.75.

Motion by Klein, second by Grannis, to approve disbursements from August 1, 2011 to November 7, 2011.

Ayes: 4

Nays: 0

4A. SMALL BUSINESS LOAN PROGRAM

Mr. Link asked for further discussion and direction to staff regarding revised program guidelines, administration of the program, and levels and sources of funding. Based on the last EDA discussion the guidelines have been revised to 1) focus primarily on existing Inver Grove Heights businesses, and only secondarily on new businesses, 2) allow for retail businesses, including restaurants, and 3) provide flexibility for the EDA to consider loan applications on a case-by-case basis. Mr. Link asked for further direction regarding loan forgiveness.

Boardmember Klein stated he did not support loan forgiveness.

Boardmember Grannis stated he was not inclined to offer loan forgiveness either.

President Tourville suggested implementing the program before discussing possible loan forgiveness.

Mr. Link stated staff would not include loan forgiveness in the guidelines at this time. He identified three options for administering a loan program, with the first being City staff could provide administration with assistance from the City's financial consultant and the City Attorney. A second option would be for City staff to provide administration with assistance from a loan review committee. A group of volunteer

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – November 7, 2011

bankers would serve as a loan review committee which would review and analyze loan applications and make a recommendation to the EDA. The third option would be contracting with another organization to administer the loans, such as the Metropolitan Consortium of Community Developers (MCCD). The MCCD is a non-profit association of community development organizations which contracts with cities to provide loan administration services and financial and technical assistance. The contract fee would be \$10,000 per year.

Boardmember Madden suggested being further into the program before retaining an organization such as the MCCD.

Mr. Link stated it would be beneficial to have such an organization involved early in the process so they could provide advice on the application process, forms, guidelines, etc. He stated that MCCD would be willing to make a presentation at an EDA meeting.

President Tourville stated it was advantageous that MCCD had templates and forms already in place.

Mr. Link stated that, while the City's loan program was set up for existing businesses, MCCD could offer an additional service by providing technical assistance for startup businesses as well.

Boardmember Klein asked if Inver Hills Community College had any programs involving startup companies.

Jennifer Gale, Progress Plus, stated that Dakota County Technical College (DCTC) in Rosemount offered an entrepreneur program.

Ellen Watters, Progress Plus, advised that a person would have to be enrolled in the program in order to take advantage of it. Progress Plus receives many calls from people wanting to start a business. These people are unlikely to enroll in the DCTC program. MCCD, however, could provide guidance to these interested parties at no charge, as well as possibly provide financing through their sources, in addition to what the City might offer.

Boardmember Klein stated the EDA would be paying MCCD \$10,000 for that service.

Boardmember Madden stated that in light of the present economy he was concerned about spending \$10,000 without specific development plans in place.

President Tourville stated on the other hand the program could be the motivation needed for people to come to the City with projects.

Dian Piekarski, 7609 Babcock Trail, asked if the \$10,000 fee was for unlimited hours, and questioned why some of this cost was not passed on to the customer.

President Tourville recommended that MCCD give a presentation so such questions could be answered.

Ms. Watters stated that most communities do not use City staff exclusively because everything must then be made public and most companies are hesitant to agree to that. She recommended using either a volunteer advisory committee or an outside agency such as the MCCD. She advised that Brooklyn Park has been using MCCD for the last year and is very pleased with their work.

Boardmember Klein asked where MCCD got their money.

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – November 7, 2011

Ms. Watters replied it was from non-profit grants, interest earned on previous loans, etc.

Boardmember Klein stated he would like to hear a presentation from MCCD, but felt that using a group of volunteer bankers was an attractive option as well.

Ms. Gale advised that using a loan review committee of volunteer bankers would still incur administration costs either by using City staff time or Progress Plus.

Boardmember Klein asked if any of the costs would be duplicated.

Ms. Gale replied they would not, stating that loan administration costs were a separate expenditure from the marketing fee currently being paid to Progress Plus.

Boardmember Klein asked if any costs would be duplicated if the City were to contract with MCCD.

Ms. Gale replied they would not.

Mr. Link stated he would ask MCCD to make a presentation at the next EDA meeting.

President Tourville stated many cities avoid using staff because they like to separate who is taking in the applications versus who is making decisions on the loans.

Boardmember Piekarski Krech arrived at the meeting.

Boardmember Klein asked if a representative from the South St. Paul Futures group of volunteer bankers could make a presentation as well.

Ms. Gale stated they would likely be pleased to make a presentation.

Boardmember Klein asked Mr. Kuntz if he was involved with South St. Paul Futures as well.

Mr. Kuntz replied that he served as their legal counsel and was also on their Board.

Boardmember Klein suggested they receive a presentation from Mr. Kuntz as well.

In regards to funding, Mr. Link stated that other cities typically made 1-4 loans per year for a maximum of \$15,000 - \$20,000 each. Therefore, staff is suggesting allocating \$100,000, which would be part of the \$500,000 transferred from the Host Community Fund. He advised that at one of the next meetings staff will likely be asking for a vote of the EDA on whether they want to establish the program and determining guidelines, how it is administered, the funding level, and the source of funding.

4B. ACQUISITION PROGRAM

Mr. Link asked the EDA to discuss the draft acquisition policy and provide direction to staff. The draft policy is based in part on policies from the Dakota County CDA and the City of Northfield, as well as the City's Doffing Avenue Voluntary Acquisition Program and Policy for Disposal of City-Owned Real Property. The draft policy provides a uniform process for acquisition and disposal of real estate while recognizing that each property is unique and will be handled on a case-by-case basis.

President Tourville asked if there were major differences between the proposed draft policy and the City's existing policy for acquisition and disposition of real estate.

Mr. Link replied there were minor differences, including that the draft policy is tailored specifically to EDA acquisitions versus purchasing property for a road, sewer, city facility, etc. The draft policy also looks at the different aspects involved in selecting a buyer for a development or redevelopment project.

President Tourville stated one of the advantages of an EDA is that they can acquire property without stating public purpose.

Mr. Kuntz stated that generally speaking a city buying property must identify a public purpose that is somewhat reasonable or proximate in time to the acquisition.

Boardmember Klein asked for clarification of a section of the acquisition policy stating that the Planning Commission would determine whether the acquisition was consistent with the Comprehensive Plan.

Mr. Kuntz replied it is a required statutory step that presumably would catch any inconsistencies in use. The Planning Commission would not veto the acquisition; just apprise the EDA of consistency.

Ms. Piekarski questioned whether there should be a definition of what is considered a 'reasonable opportunity to consider the offer' and if employment was a consideration.

President Tourville asked Mr. Kuntz if he had any issues with the draft acquisition policy.

Mr. Kuntz advised there were no legal questions raised by it.

Motion by Klein, second by Grannis, to approve the City of Inver Grove Heights' Economic Development Authority Policy for the Acquisition and Disposal of Real Estate.

Ms. Piekarski asked if M CCD was contracted, would they be responsible for obtaining an estimate of possible relocation benefits, review of environmental contamination of the property, making a written offer to the property owner, etc., and who would do those things if an outside agency such as M CCD was not contracted.

President Tourville stated the EDA would employ the appropriate people just as they currently do for City Council.

Ayes: 5

Nays: 0 Motion carried.

4C. PROGRESS PLUS UPDATE

Ms. Gale stated they had a unique group of individuals attend the Broker Tour versus those they have had in the past, including many looking at housing opportunities as well. She stated the round of golf at Inver Wood was a great incentive to those who attended and the event was a huge success.

Ms. Watters gave an update on recent Progress Plus activities, including the relocation of Cunningham Sports from South St. Paul to Inver Grove Heights. She advised that many cities are in the process of changing their ordinances to allow microbreweries to sell and serve beer on site, which is commonly referred to as the 'Surly legislation'. This was precipitated by Surly announcing they were going to build a \$20 million dollar destination brewery/event center. While Inver Grove Heights may not be the best location for Surly, she stated there would likely be other breweries looking for similar operations and therefore it might be something the City would want to start considering. She stated that because the

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – November 7, 2011

brewery emits odor and is a manufacturing facility, they generally need industrial-type zoning, however, they also hold tastings and events. She stated the market in general is starting to pick up, including inquiries from Appliance Smart and Dollar General. She has also had discussions regarding space at Inver Point.

Boardmember Klein asked if Progress Plus had been working with Pawn America.

Ms. Gale replied in the affirmative.

Boardmember Klein asked if Pawn America was aware that Inver Grove Heights had an ordinance prohibiting pawn shops in most zoning districts.

Ms. Gale replied in the affirmative.

Mr. Link advised the property owner would soon be bringing forward an application for a rezoning.

In regard to breweries, President Tourville stated the City may want to look into whether they would be interested in modifying the zoning to allow for such an operation and perhaps contacting the League of Minnesota Cities for the appropriate language.

Boardmember Piekarski Krech questioned how much odor would be emitted, stating she noticed no odor from the brewery on West Seventh Street.

Mr. Link stated staff would be willing to do research on this topic.

Boardmember Klein questioned whether the City of St. Paul allowed for this type of operation.

Ms. Watters replied in the affirmative, stating the City of St. Paul recently changed their ordinance to allow for an operation such as Surly.

4D. EXCESS GOLF COURSE PROPERTY

Mr. Link advised that, in response to the EDA's request, staff has provided the EDA with additional information on the two parcels in question, including topography, the cost of utility extension, and an updated appraisal. He stated that while the eastern site has little terrain differential, the western site has a stormwater retention pond and steep slopes. The Northwest Area Zoning Ordinance, however, allows a property owner to transfer density from less developable parts of the property to the more buildable parts of the site. Engineering has estimated the cost of extending sewer and water to the two parcels to be approximately \$500,000-\$700,000; however, this would be offset by the Northwest Area connection fees of approximately \$1,000,000, assuming the appraiser's densities.

The updated appraisal has determined that the value of the two properties exceeds the debt of the golf course. It would not be possible to complete the acquisition in time for the next debt payment in December; however, the EDA would be able to acquire the property prior to the following debt payment in February 2012. At that time the outstanding debt would be about \$1.2 million dollars. Mr. Link advised that if the EDA would like to pursue this there are a number of details that have to be worked out, including meeting with the City's bond counsel and holding a public hearing to establish a development district. He advised that the EDA's acquisition of the excess golf course property would improve the golf course's financial position, provide the EDA with an asset that it could use to foster development, and eventually generate increased property taxes. In determining value, the appraiser assumed about six units per acre

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING – November 7, 2011

on the eastern parcel which would be a low density townhouse development. On the western parcel they assumed about nine units per acre.

Boardmember Klein stated before moving forward he would like to know the current vacancy rate for this type of house unit in Inver Grove Heights.

Mr. Link stated the appraisal report included an analysis of the market and vacancy rates for different types of land uses. Staff's recommendation is to proceed with the EDA's acquisition of the excess golf course properties because of the benefits that it would bring forth, recognizing that a number of details would have to be attended to prior to the EDA considering acquisition.

Boardmember Grannis stated he was in favor of acquiring the excess properties.

President Tourville stated he was in favor as well, but questioned whether commercial use of the property was a consideration.

Mr. Link stated the appraisers did not feel commercial was a good use for these sites, mainly due to the lack of highway visibility and transportation network, and its lack of proximity to an amenity.

Boardmember Piekarski Krech questioned whether it was appropriate to build a multi-family development on the western parcel as it was directly across from large lot single-family residential.

Boardmember Klein stated in his opinion it was a good location for multi-family housing.

President Tourville asked if the western parcel was in the MUSA.

Mr. Link replied in the affirmative. He advised that the appraiser is recommending that the highest density be on the southeast corner of the property in order to maximize the view of the golf course, and a lower density on the west side of the pond. Because it is a County road with limited access, the eastern portion of the property would likely have a shared access with the golf course. The western side of the property would likely have to wait until the adjacent properties developed in order to get a shared access from the west.

Boardmember Piekarski Krech questioned the wisdom of purchasing property in which the EDA could potentially spend more for it than what they would get in return. She stated she would prefer to see something on the eastern property that augmented the golf course, such as a restaurant.

Boardmember Grannis questioned how a restaurant could survive with the golf course being seasonal.

Boardmember Piekarski Krech replied that other restaurants stay open year round. She suggested perhaps getting a facility that rents out for events as well.

President Tourville stated he does not foresee anything but residential on the corner property as the neighbors would likely fight any commercial development. He stated they should discuss the possibility of building a new clubhouse that could be rented out for various events.

Mr. Kuntz stated the City should discuss with bond counsel how the money would be transferred from the City to the EDA and the expectation of the EDA with respect to that money.

Ms. Piekarski stated the City has an opportunity to add something on these parcels other than more housing, and perhaps bring an amenity to the City.

Mr. Link stated one of the advantages of EDA ownership is that the EDA has control over the type of use. The City does not have to determine the land use at this point except to make some assumptions to determine its value. The appraiser has done that and concluded that given the parameters and assumptions, the value of the two properties exceeds the debt payment. The EDA, however, has the flexibility to change the land use to something other than what was assumed by the appraiser.

President Tourville stated that the EDA should consider whether there is a savings to purchasing the parcels now from the golf course versus just paying off the debt, for example, whether the City save money in interest payments.

Boardmember Klein stated the corner parcel should be valuable as it is bordered by a church, a golf course, and residential.

Boardmember Madden stated he was surprised that the land had not lost value since the last appraisal.

Mr. Link stated he was surprised as well but felt comfortable with the analysis done by the appraiser.

President Tourville stated the parcel on 70th and Robert had been reacquired.

Mr. Link asked if the EDA's direction was to proceed forward while recognizing there may be a need for a special meeting in a month or two.

Boardmember Piekarski Krech stated they need to meet with bond counsel to ask the questions that were raised by President Tourville and Mr. Kuntz.

Mr. Link advised they would do that.

4E. GUN CLUB SITE:

Mr. Link stated MNDOT recently met with MPCA and the MPCA did not believe the site needs to be cleaned up at this time but rather that remediation could be done at the time of development. They strongly urged MNDOT to do additional environmental analysis. MNDOT subsequently asked if the City would be interested in doing additional investigation to assist in the site's development. Subsequently City staff had a discussion with the County, who stated they have funds available and could likely do the work for the City. MNDOT, however, is not keen on working with Dakota County because their cleanup standards are higher than both the MPCA's and MNDOT's.

President Tourville stated Dakota County is the only county in the state that requires that all contaminated soils be disposed at a landfill whereas other counties allow some soils to be reused in certain types of projects.

Mr. Link stated that MNDOT is having a discussion with the County later this week. He will contact the City's consultant, Ken Haberman, to get his thoughts on this issue.

Boardmember Grannis stated there have already been many studies done on this property.

Mr. Link stated there were three different studies done on the property. The first was a paper exercise called a Phase I. The other two were field exercises; one done by the City and one by the EPA.

Boardmember Grannis asked who would pay for additional testing.

Mr. Link replied that MNDOT would pay for their analysis. If the City wanted to do anything more, the City would pay for its own, however, the County has stated they could do it for the City.

4F. EDA WEBSITE:

President Tourville asked for a discussion regarding the possibility of the EDA establishing its own website. The site would have links to Progress Plus, Chamber of Commerce, etc. He stated most EDA's have their own website.

Boardmember Piekarski Krech stated she did not think the EDA was doing enough at this point to justify the cost of a separate website, and questioned who would be responsible for keeping the site up-to-date.

President Tourville suggested they get information on what it would cost to construct a page on the existing website but consider a separate EDA website at a later date.

Mr. Link stated he would look into the cost of creating a separate page on the City website.

President Tourville stated many EDA's have fundraising events to help pay for incidentals such as a website (i.e. annual meetings, golf tournaments, etc.).

5. NEXT MEETING:

Mr. Link advised that the next meeting is scheduled for February 6, 2012. The meeting will include an update on the Gun Club site and a presentation from MCCD regarding the Small Business Loan Program.

6. ADJOURNMENT: Motion by Grannis, second by Madden, to adjourn. The meeting was adjourned by a unanimous vote at 7:37 p.m.