INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, JANUARY 13, 2025 – 8150 BARBARA AVENUE

1. CALL TO ORDER:

The Economic Development Authority (EDA) of Inver Grove Heights met in Regular Session January 13, 2025, in the Council Chambers at City Hall. President Gliva called the meeting to order at 5:00 p.m. The Pledge of Allegiance was said.

2. ROLL CALL:

Present In-Person: President Gliva, Commissioner Scales, Dietrich, Murphy, and T'Kach.
Staff in Attendance: City Administrator Wilson, City Attorney Nason, Community Development Director Ziemer, and Deputy City Clerk Malott.

3. APPROVAL OF AGENDA

Motion to approve agenda as published by T'Kach, second by Scales.
Motion approved 5-0.

4. ELECTION OF OFFICERS:

Community Development Director Ziemer provided a brief overview, explaining that at the first meeting each year, the EDA elects officers to serve one-year terms. These positions include President, Vice President, Treasurer, Assistant Treasurer, and Secretary. While the bylaws permit the Vice President and Assistant Treasurer to serve terms of different lengths if designated by the EDA, these roles are typically elected on an annual basis.

Director Ziemer explained that, according to the staff report and Article 3, Section 1 of the bylaws, the Community Development Director is designated as the EDA Executive Director. Although the City Administrator had previously been appointed as Interim Executive Director by resolution, staff recommended formally appointing the City Administrator to the role to replace the interim designation.

President Gilva asked the commissioners if they wished to retain the current officers or propose changes. Commissioner Scales expressed support for President Gilva to continue in her role and offered to nominate her. It was noted that one motion could be made to approve all officer appointments as presented. The commissioners unanimously agreed to retain the current officers.

Motion to approve by Scales, second by Murphy.
Motion approved 5-0.

5. CONSENT AGENDA:

A. Minutes of the October 7, 2024, Economic Development Authority Meeting.
B. Minutes of the December 2, 2024, Economic Development Authority Meeting.
C. Approval of Claims
D. Approval of a Third Amendment to the Professional Services Agreement with Krueger Real Estate Advisors, LLC.
E. Approve Change of Date for the February 2025 EDA Meeting.

Motion to approve items A – E by T'Kach, second by Scales.

Motion approved 5-0.

6. <u>REGULAR AGENDA</u>

A. Recap of Developer Roundtable Meetings Regarding Republic Services Site

Community Development Director Ziemer provided background information on the Republic Site discussion, explaining that it was first introduced at the December meeting along with a summary report from Ehlers. He noted that the purpose of the current discussion was to seek direction on potential next steps and shared a draft map for input, emphasizing that no formal recommendations were being made at this time.

Director Ziemer introduced Mr. Jason Arsvold and Mr. Shane Rudlang from Ehlers, who presented an update on the Republic Site Redevelopment process. They shared insights from recent developer roundtables, which provided feedback on market conditions, the site's advantages and challenges, and its development potential. The roundtables also helped market the site to developers and set realistic expectations for any future redevelopment or land purchase efforts.

The Republic site consists of approximately 7.86 acres at 6520 Concord Boulevard, directly south of Heritage Village Park and adjacent to City-owned and EDA parcels. It is currently zoned industrial with an underlying parks/open space land use designation.

Developers expressed a generally positive view of the City's reputation and location, citing convenient highway access and lower taxes compared to Hennepin and Ramsey counties. However, they raised concerns about fees, the planning and zoning process, and how project decisions are made. While the site was noted to have good local access, its distance from major corridors was seen as a limitation for commercial development. Nearby park amenities were considered beneficial for potential residential use. Opinions were mixed regarding the impact of the adjacent King of Diamonds property.

A central theme in developer feedback was the site's challenging layout, particularly due to existing easements and the current parcel configuration. Most developers agreed that acquiring adjacent land to expand the redevelopment area would be critical to achieving an economically viable scale. There was also discussion about the potential to incorporate southern portions of Heritage Park into the broader redevelopment plan. While developers recognized the need for further study of contamination and floodplain issues, they also noted that the Mississippi River, though an asset for residential development, presents a market challenge for commercial uses.

Mr. Arsvold provided an overview of the site's easement constraints using a map that highlighted the overhead power line and railroad easements, both of which significantly limit buildable space. He emphasized the need for additional technical due diligence to evaluate the impact of easements, contamination, and floodplain conditions on the site's overall feasibility.

Developers generally agreed that the site is most suitable for medium-density residential development. They identified for-sale homes priced in the mid $300,000 to $400,000 range as the most financially viable option. While rental housing could be considered, it would likely require fewer amenities and greater subsidy support to be feasible. Overall, commercial development was seen as unlikely for the site.

Mr. Arsvold explained that public financial assistance would likely be required to make redevelopment feasible. Potential tools include tax increment financing (TIF), city land acquisition and resale, EDA funding, or tax abatement. He noted that developers expect clear communication from the City about their willingness to consider such financial partnerships. Developers also favor open-book financial discussions, working collaboratively with the City to identify funding gaps between project costs and market-supported revenues.

One developer expressed interest in potentially pursuing a medium-density residential project at the site and indicated a willingness to invest time and resources into developing conceptual plans, an encouraging outcome from the roundtable discussion.

Regarding next steps, Director Ziemer emphasized that the EDA, City Council, and staff should establish clear goals for the site, defining preferred land uses and the level of public financial involvement they are willing to consider. It was recommended that a small area plan be developed to include the Republic Site and surrounding properties, promoting coordinated development and aligning with ongoing investments in Heritage Park. Additionally, the City was encouraged to explore the potential acquisition of adjacent properties to create a larger, more viable redevelopment footprint. Finally, a review of development fees and approval processes was suggested to address concerns raised by the development community.

Commissioner Dietrich inquired about the background and experience of the developers who participated in the roundtables. Mr. Arsvold responded that the group brought a wide range of expertise, spanning for-sale housing, multifamily rental, commercial, and industrial development. Notable participants included Centra Homes, specializing in for-sale residential; Enclave, with experience in multifamily, commercial/retail, and industrial projects; Inland Development Partners, focused on commercial, industrial, and multifamily development; and Phil Cattanach, formerly with The Opus Group, who has extensive experience in industrial and commercial development.

Commissioner Dietrich asked how the site compares to the South St. Paul Yards project, which is located near rail lines and has experienced strong success with no current vacancies. Mr. Arsvold explained that while the Yards project was successful, it was developed under more favorable financial conditions, including significant tax increment financing support, lower construction costs, and lower interest rates. Replicating a similar development today would require substantial financial assistance from the City, as current construction and financing costs are significantly higher. Although rental demand remains strong, current market research indicates that necessary rent levels to support such a project are not feasible under today’s economic conditions. As a result, financial feasibility is a key constraint influencing recommendations.

Commissioner Dietrich also asked Director Ziemer about the status of a vacated easement. Director Ziemer shared that discussions are ongoing with the railroad about vacating two easements. In addition, there is a City-owned easement for a sewer and water line along the western edge of the site, which could potentially be relocated in coordination with redevelopment. However, a major power easement cutting across the site will remain in place and will continue to divide the property into two separate areas. These site constraints highlight the need for more detailed technical information to guide developer planning.

When asked what additional information developers would need, Mr. Arsvold noted that developers are seeking more clarity on existing easements, floodplain impacts, and the possibility of site contamination. They emphasized the importance of having completed environmental studies and a clear understanding of any broader constraints or boundaries affecting the site beyond the immediate parcels.

Commissioner Dietrich also asked about the cost of the developer roundtable study. Director Ziemer explained that the study cost between $8,000 and $10,000, with a not-to-exceed limit of $10,000, billed hourly. Developers participated voluntarily and were not compensated for their time.

Commissioner Dietrich expressed disappointment that the City had not communicated more clearly regarding the status of the railroad easements.

Director Ziemer explained that while there had been some communication with developers, negotiations with the railroad proved to be complex, as the railroad treated the process as a land acquisition rather than a standard easement vacation—requiring compensation to relinquish its rights. Discussions with developers remain ongoing. There was also interest in acquiring additional land to the east, closer to the river; however, those parcels had previously been purchased by the City for other purposes and through various funding sources. Staff, in coordination with the City Attorney's office, reviewed title issues and existing encumbrances on these properties, which developers would need to address as part of any future plans. Director Ziemer emphasized that the City had made significant efforts to complete preliminary due diligence but needed direction from the Council before investing additional resources or engaging further with any specific developer.

President Gilva asked whether the City had previously pursued cleanup efforts at the Republic site, including exercising its right of first refusal or conducting an environmental study. Director Ziemer confirmed that while these steps had been discussed, no action had been taken due to uncertainty about how far the City intended to proceed. He noted that a Phase II environmental study will ultimately be needed to assess the extent of contamination. However, current property owners are reluctant to allow additional testing unless the City demonstrates a clear intent to purchase the land, as any findings would become part of the public record and could affect property value.

President Gilva then asked if completing a Phase I environmental study might help generate interest among developers. Director Ziemer explained that a Phase I study, which reviews the property's historical uses, typically costs between $2,000 and $5,000 and determines whether a Phase II study is warranted. The cost of a Phase II study would depend on the number of soil borings and the depth of analysis required. Although no specific estimate was provided, Director Ziemer noted that the City could proceed with due diligence at any time. Completing a Phase I study could strengthen the City's negotiating position by identifying potential contamination issues early on, and grant funding might be available to help cover future cleanup costs. He emphasized the importance of a deliberate, phased approach—identifying key steps, securing a committed development partner, and strategically leveraging funding. Having a development partner involved early would help align project timelines and support a more coordinated redevelopment process.

Commissioner T'Kach asked for clarification on what developers meant by "good local access." Mr. Arsvold explained that this refers to how easily nearby residents can access the site—such as those visiting the marina or local restaurants—as opposed to sites located near major highway interchanges that tend to draw visitors from a broader region.

Commissioner T'Kach then inquired about pedestrian improvements near 65th Street and Concord, questioning whether those upgrades had been considered in relation to site accessibility, especially for residents living west of the site. She emphasized the importance of preserving strong public access to the riverfront and cautioned against allowing residential development to block or limit that access.

Commissioner T'Kach also asked about the feasibility and cost of acquiring the commercial property to the south of the site, expressing concern about potential relocation expenses. Mr. Arsvold explained that such an acquisition would trigger relocation benefit obligations, with total costs potentially reaching several hundred thousand dollars in addition to the property purchase itself.

Commissioner T'Kach further raised concerns about the site's development challenges, particularly in relation to floodplain impacts. She referenced past maps showing the floodplain extending across at least half of the property from the east and asked whether any jurisdictions could entirely prohibit development. She also questioned how much usable land would remain once easement areas—particularly those not owned by the City—were excluded, acknowledging that the City had not addressed those easements because it does not own the underlying land.

In response, Director Ziemer acknowledged the existence of the floodplain but noted that at least one developer did not view it as a definitive barrier to development. That developer believed there were potential solutions or mitigation strategies that could be explored, though it would be the developer's responsibility to identify and address them as part of their due diligence. Director Ziemer added that the City has successfully acquired and developed other properties with similar challenges and emphasized that future development would depend on the flexibility and collaboration between the City and the developer.

Regarding commercial use, Director Ziemer explained that while attracting entirely new commercial tenants to the site may be challenging, developers noted the potential for existing local businesses to relocate there. The site's proximity to parks and future residential development could make it an appealing option for businesses already within the community. He emphasized that conversations about commercial development should include the possibility of supporting internal business relocations, not just recruiting outside tenants.

Commissioner T'Kach asked whether the site could support a fully accessible development—similar to an inclusive playground concept—where housing, commercial, or retail spaces are intentionally designed from the outset with universal accessibility in mind, including features such as integrated landscape ramps and fully accessible buildings. Mr. Arsvold confirmed that this approach is feasible and noted that some builders are already implementing universal design principles, which could be effectively applied to both the site and the surrounding area.

Commissioner Scales expressed that nothing presented during the discussion sparked enthusiasm about the property. He made it clear, for the record, that he does not support expanding development into Heritage Village Park or reducing its size for any project. He noted that development south of the park could be acceptable but stood firmly against altering the park's boundaries, citing the considerable time, effort, and planning already devoted to it. President Gilva echoed his sentiments, emphasizing that substantial work has already been done on Heritage Village Park, the project remains ongoing, and there is a defined plan guiding its future.

President Gilva asked Director Ziemer about the next steps. Director Ziemer acknowledged that while development in this area would be a complex and challenging endeavor, he personally finds redevelopment projects rewarding and believes this site presents an intriguing opportunity. He highlighted the city's substantial investment in the adjacent park and suggested exploring ways to leverage that asset to revitalize the surrounding area. Early in his role, he met with the Dakota County CDA—who owns nearby property—to discuss the possibility of partnering on a small area plan. He explained that such a plan could help shape a cohesive vision for the site by incorporating feedback from developers, landowners, and the city, while also improving the likelihood of securing grant funding.

Director Ziemer emphasized the importance of the EDA determining the extent to which it wants to pursue redevelopment efforts. He noted that completing a small area plan, regardless of whether it leads to immediate development, would help clarify future opportunities for the site. He shared that one developer has expressed strong interest and has asked for comprehensive information to help assess the project's viability. While supporting this effort would require some staff involvement, the primary responsibility rests with the developer. He concluded by underscoring the need for clear direction from the City on its desired path forward.

Commissioner Murphy stated that, in his opinion, the property cannot succeed as a standalone project due to existing easements and potential issues with adjacent properties. While he acknowledged that medium-density development might be viable, he warned that without a broader, coordinated plan, the area could face challenges within a few years particularly concerning rental viability. He recommended pursuing a small area plan as the next logical step, potentially in collaboration with Dakota County, depending on the associated costs. He also noted that neither the City nor the County owns enough land on their own to make redevelopment workable, and he stated he would not support further investment without a more comprehensive, joint approach.

President Gilva emphasized the importance of continuing conversations with the County, noting that the County brings valuable resources that could support future planning efforts. She pointed out that the last small area plan was completed around 2012 or 2014 and that subsequent land acquisitions make an updated plan both timely and necessary. Although she acknowledged uncertainty regarding the cost of a new plan, she stressed that development in the area should not proceed in a fragmented manner. She also recommended maintaining dialogue with the currently interested developer, suggesting their interest could strengthen with the guidance of a more comprehensive plan.

Commissioner T'Kach voiced concerns about repurposing the site for housing, whether market-rate or otherwise. She questioned the added value such a development would bring, particularly given the abundance of housing options already available or underway in other parts of the City. In her view, the site lacks amenities that would make it a compelling location for residential use. Instead, she emphasized the need to prioritize commercial or industrial development that could strengthen the City's tax base.

She also stressed the importance of continuing a collaborative relationship with Dakota County throughout the redevelopment process. Commissioner T'Kach noted that the County's involvement could be instrumental in achieving a successful outcome and should be actively maintained.
A central issue raised was the City's financial readiness to support redevelopment. She asked whether the City is willing to commit public resources such as through Tax Increment Financing (TIF) to move the project forward. She highlighted that this question remains unresolved and called for a deeper discussion about the City's willingness to invest substantial funds, regardless of whether the future use is residential, commercial, or industrial.

Commissioner T'Kach emphasized the need to clearly communicate the City's commitment level to any potential developers, noting that transparency is crucial for progress.

Mr. Arsvold explained that the need for public financing will vary depending on the type of development ultimately pursued for the site. He emphasized the value of maintaining dialogue with interested developers and moving forward with a planning process, as it enables them to identify the specific support required to make a project viable. This process would then allow the City to assess whether it is willing to provide that support. He clarified that this exploration does not constitute a commitment but noted that developers are primarily seeking an indication of whether the City is open to being a potential partner especially as they consider investing time and resources into resolving complex issues like the floodplain.

Commissioner Dietrich voiced support for bringing new businesses to Inver Grove Heights and emphasized a willingness to be a collaborative partner in redevelopment efforts. President Gilva added that the upcoming strategic planning meeting focused on long-term goals and annual agenda-setting would be a fitting time to explore the City's stance on public financing and its overall redevelopment strategy.

Mr. Arsvold explained that many cities establish a policy framework that outlines the circumstances under which public financing may be considered, while still preserving the council's full discretion to assess each project individually. He emphasized that, unlike zoning decisions, public financing is not automatic and is granted based on the specific merits of a proposal.

Commissioner T'Kach inquired about the feasibility and timing of conducting a small area plan in collaboration with Dakota County. In response, Director Ziemer estimated that the cost of such a plan could range from $15,000 to $50,000, depending on the size of the study area and the scope of work. He offered to contact consulting firms to obtain preliminary cost estimates for consideration at the February 10 meeting. Additionally, he plans to follow up with the developer who had previously shown interest in the site to gauge their current level of engagement and may include an update in the next meeting materials. The developer had previously indicated a willingness to remain patient while the City discussed its redevelopment priorities.

7. <u>NEXT MEETING:</u>

The next regularly scheduled meeting is Monday, February 10, 2025, at 5:00 p.m.

8. <u>CLOSED SESSION</u>

A. Discussion of Negotiations & Intent to Purchase Real Property

Motion by T'Kach, second by Scales; to move to closed session pursuant to MN State Statute 13D.05 subd. 3(c) (3) to consider offers or counter offers for the purchase of real property at 3095 65th Street East.
Motion approved 5-0.

Motion to move back into Open Session by Murphy, second by Scales
Motion approved 5-0.

9. <u>ADJOURN:</u>

Motion to Adjourn at 6:15 p.m. by Dietrich, second by Scales.
Motion approved.

Minutes prepared by City Recording Secretary Tammy Greenlee