AGENDA ITEM ___3A____

INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY REGULAR MEETING
TUESDAY, NOVEMBER 13, 2018 – 8150 BARBARA AVENUE

1 & 2 CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Tuesday, November 13, 2018, 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, Perry, and Tourville; Executive Director Gundlach, City Attorney Kuntz, Finance Director Smith, Police Chief Schnell, and Secretary Fox.

3. CONSENT AGENDA

A & B. Minutes and Claims

Motion by Tourville, second by Perry, to approve the minutes from the August 13, 2018 Regular Economic Development Authority Meeting, and the disbursements from August 14, 2018 to November 13, 2018.

Ayes: 5
Nays: 0

4. REGULAR AGENDA

A. Consider Redevelopment Process of City-Owned Property

Janice Gundlach, Community Development Director, explained the proposed redevelopment process for addressing City-owned properties with larger redevelopment opportunities, discussed the creation of partnerships, and provided a list of public assistance tools that could be used to incentivize redevelopment of these parcels. After examining the various city-owned properties, Ms. Gundlach identified six main properties she would like to focus on at this time. She explained the development process she would like to undertake for these properties, including 1) informal development meetings to gain feedback on potential strengths and weaknesses of the properties, 2) conceptual proposals from interested developers to give the City an idea of potential end use, density, financials, timeline, etc., 3) prepare a term sheet establishing general deal parameters and giving the developer some assurance of City support without being legally binding, 4) engage in contract negotiations on an approved term sheet, 5) land use entitlements would run a corresponding course with the contract negotiations, 6) closing, and 7) construction. The process should be viewed as a partnership between the EDA/City Council and the developer. In this market developers choose to partner with cities that want them and are motivated to advance projects in a timely manner. Gundlach cautioned that failed projects would hurt the City's reputation and the ability to attract additional developers to the community. Staff intends to work with the developer to hold neighborhood meetings to address concerns well in advance of any land use application.

Ms. Gundlach explained various public assistance tools, stating that most often redevelopment requires some type of incentive. Any financial incentives would be required to pass the 'but-for' test, meaning the project would not happen 'but-for' the use of public financing. This process requires an application that asks for detailed financial information. Staff would work with a public finance consultant who would review this information. Additionally, the developer would be asked to submit an escrow to pay for consultant costs. Gundlach detailed some of the tools available and when the EDA may want to use them. She noted that an EDA levy is also available but is not included in the table. Staff is recommending that the City enter into Met Council's SAC Deferral Loan Program, which could help smaller businesses moving into existing space. Fee Deferral and Tax Abatement are also available and have been used by the City in the past. Regarding Land Price Concession, public financing may not be necessary if the City agrees to write the land down to make up for gaps in developers financing. She advised that TIF was a good tool if used correctly and was a way for the EDA to pay themselves back for the land and get some of the development fees they might otherwise defer or reduce. Economic Development Tax Increment Financing Districts can be used to incentivize developers to build commercial or industrial development which will increase jobs and the tax base. It could be used in instances where infrastructure costs make the project too expensive to undertake. The TIF district the City created in 1994 has special legislation that allows the City to exceed the 10% pooling allowance on affordable housing districts to spend outside the district. That district is slated to end at the end of next year, but Gundlach believes there is approximately $3.7M of excess increment available for use. She has been working with the developer of Scenic Hills on their proposed senior building. Because of the extraordinary cost of the NWA development fees, and the required lift station, there is a gap in financing. The Council will be asked later tonight to provide a loan to Scenic Hills to make up for that gap. She requested EDA feedback on the public assistance tools.

Boardmember Tourville stated the main reason they have not created a TIF district since 1994 is because none have been requested since then. Part of the reasoning for that may be because of the constantly changing rules and requirements.

Ms. Gundlach agreed that the legislature continually changes the rules, which is why a $10,000 escrow is necessary in order to have a public finance consultant familiar with these rules involved in the process. She noted that TIF districts do not need to remain open for the full 25 years the legislature allows, and she has no intention of leaving TIF districts open to generate increment after they are no longer needed.

Boardmember Bartholomew wanted to be sure that the six properties identified for redevelopment were presented to developers using the underlying zoning. 8195 Babcock could potentially be a problem as it was zoned Agricultural.

President Piekarski Krech advised that Agricultural was likely just a holding designation; she believed the land directly abutting 8195 Babcock was guided commercial.

Boardmember Bartholomew stated it was important to him that Parcel 5 (Dickman Trail) remain Light Industrial, if not an even higher intensity use.

Ms. Gundlach stated in her opinion Parcel 5 was a good commercial industrial site as well; however, the informal developer meetings will provide good feedback on whether the market will support what the property is zoned. She plans to meet with more than one commercial industrial developer. She noted that people are interested in being in Inver Grove Heights and are contacting her with inquiries.

Boardmember Hark recommended that the Council be educated on TIF as it is very complicated and impacts the budget.

President Piekarski Krech asked if the tools presented tonight could be used on non-city-owned properties and for projects other than redevelopment.

Ms. Gundlach replied in the affirmative, noting they could also be used on greenfield properties for projects such as affordable housing. She offered to have a representative from Ehlers give a presentation on TIF at a future meeting.

Boardmember Hark asked for clarification regarding potential budget impacts with using TIF.

Ms. Gundlach recommended they use 'pay-as-you-go' TIF rather than taking out bonds at the front end. Under this program the developer assumes the risk of getting the financing, which is secured by the TIF, and the City passes the increment on annually to them as it is accrued.

President Piekarski Krech asked if pay-as-you-go had ever been done in Inver Grove Heights.

Boardmember Tourville replied that he did not believe so. He appreciated receiving the information regarding available public assistance tools and commented that developers may want to build something other than what a property is guided for.

Boardmember Bartholomew stated his point was that the City own the six identified properties and should have control over their development.

City Attorney Kuntz agreed that it would be helpful to have a finance expert give a presentation on TIF. He stated that the debate against the pay-as-you-go versus the bond up front is often dependent on the interest rate in the marketplace.

Ms. Gundlach advised that part of the process is working out the details, such as developer' financial capabilities, how much market value in taxes the project will generate, etc. Staff will help determine what available tools are best for the city and the developer. She asked if there was interest from the EDA in land price concession.

President Piekarski Krech replied it was dependent on how much of a write down was being requested, what the development proposal was, and whether it was enough of a benefit to the city to justify a significant reduction in price.

Boardmember Hark asked if there would be issues with property being sold below fair market value.

Ms. Gundlach advised that cities have the ability through redevelopment and to create housing to write land down to zero if the extraordinary costs for public infrastructure or development fees is what created the financial gap.

Boardmember Tourville noted that in addition to what was presented tonight, there were tools available to developers through other agencies.

Ms. Gundlach advised that Dakota County is unique in that they get their own tax credit allocation from MN Housing. The 9% credits on affordable housing are very competitive and projects can wait multiple years to get the tax credit awards they need; however, in Dakota County it does not have to take that long. She would recommend that developers doing affordable housing projects go after those tax credits at the Dakota County level.

B. Hear Progress Plus Update

Jennifer Gale summarized the last quarter's activities. She advised that she is on the Grow MN Advisory Committee and they recently completed a strategic planning session. The goals that came out of that session include, 1) Strategic business retention visits and supporting local partners, including visiting companies operating in MN but headquartered out-of-state, targeting a specific industry sector, and increasing partner engagement and number of visits, 2) continue to grow and enhance business assistance resources, including increasing the use of the MN Supplier Match database, sharing assistance results and success stories regularly with the Grow MN Partnership, MN Chamber members, media outlets, and other economic development stakeholders, as well as keeping the Business Resources web pages up-to-date and better promoting the website, 3) improving communications to demonstrate the value of the Grow MN program and its staffs' business retention and assistance expertise, and 4) trying to increase the Grow MN-generated revenue. Ms. Gale advised that last year they performed 671 business visits through Grow MN, assisted 189 businesses, and saved 373 jobs in the State of Minnesota.

President Piekarski Krech asked if the business visits done through Progress Plus counted towards the Grow MN partnership as well.

Ms. Gale replied in the affirmative, with the exception being she may not include follow-up visits. She explained how the partnership works, stating Grow MN staff and local partners conduct one-on-one business visits, enter that information into a database, and the data is then analyzed and turned into actions. Generally, what they look for in their visits are whether there are any new products or innovations that this business is doing, are they exporting, are they investing in their businesses and growing, do they have room to expand here, are they hiring and, if so, do they have any workforce issues. She advised they are trying to address the current workforce challenge and predicted shortage by attracting more millennials and recent graduates into the communities they represent. Businesses are going to have to be creative to fill vacancies (i.e. re-engage retired workers, address childcare challenges, etc.). She discussed the top ten jobs in demand in Minnesota, consisting mostly of the healthcare, transportation and retail sectors. She discussed strategies for overcoming the challenges of finding workers, including working with local schools, promoting immigrant employment programs, etc. She noted that workforce shortages are more prevalent in greater Minnesota than in the metro area.

Boardmember Bartholomew asked Ms. Gale what the EDA could do to help with the labor shortage issue.

Ms. Gale replied that having the Community Development Director attend business retention visits with her was helpful as the City has resources available to them that she does not have access to. It is also important to work on making IGH a place that will attract young talent and be a place they want to live. Keeping in tune with the schools is also important.

Boardmember Bartholomew stated that realistically the only two components he could think of within the EDA's purview would be housing and enhancing transportation.

Ms. Gale stated when making decisions it would be good to keep in mind that we want to be a viable community that will attract people to move into.

C. **Open to Business Quarterly Report**

Ms. Gundlach summarized the 'Open to Business' Third Quarter Report, noting that the numbers were up from the first and second quarters. She advised that she will continue to provide complete reports listing the details of the different businesses 'Open to Business' has met with. Staff intends to invite Laurie Crowe to the next EDA meeting where she will provide a year-end report and address any questions Boardmembers may have. Staff will also discuss how they can better market the program. She will forward Boardmembers a list of IGH businesses in the weekly email.

5. NEXT MEETING: February 11, 2019.

6. ADJOURNMENT: Motion by Bartholomew, second by Tourville, to adjourn. The meeting was adjourned by unanimous vote at 5:56 p.m.