Inver Grove Heights

INVER GROVE HEIGHTS
ECONOMIC DEVELOPMENT AUTHORITY AGENDA
MONDAY, FEBRUARY 11, 2019
CITY HALL COUNCIL CHAMBERS
5:00 P.M.

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **CONSENT AGENDA**

   A. Consider Approval of Minutes from the November 13, 2018 Regular Economic Development Authority Meeting ____________

   B. Consider Approval of Claims ____________

4. **REGULAR AGENDA**

   A. Election of Officers ____________

   B. Open to Business Year-End Report ____________

   C. Market Update ____________

   D. Progress Plus Update ____________

5. **NEXT MEETING** – May 13, 2019

6. **ADJOURN** ____________

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 MNgenerated 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.

AGENDA ITEM **3B**

MEMORANDUM
CITY OF INVER GROVE HEIGHTS

DATE: January 28, 2019

TO: Economic Development Authority

FROM: Janice Gundlach, Community Development Director JG

SUBJECT: Claims

The Finance Director has prepared the attached claims on the EDA's operations fund through December 31, 2018.

ATTACHMENTS
Claims

City of Inver Grove Heights EDA Operations Fund 290

Budget vs Actual through 12/31/18

Account Description	2018 Amended Budget	12/31/18 Actual	Budget Remaining
Investment Earnings	200.00	1,040.71	(840.71)
Operating Transfers In	83,100.00	83,100.00	-
Total Revenue	**83,300.00**	**84,140.71**	**(840.71)**
Personnel	17,800.00	17,506.38	293.62
Prof/Tech Services	88,900.00	16,447.77	72,452.23
Purchased Services	400.00	399.96	0.04
Other Purchased Sevices	13,400.00	7,992.02	5,407.98
Supplies	100.00	-	100.00
Total Expenditure	**120,600.00**	**42,346.13**	**78,253.87**
Fund 290 Surplus (Deficit)	**(37,300.00)**	**41,794.58**	**79,094.58**

Claim on Cash	**176,022.07**

City of Inver Grove Heights

Account Detail

Date Range: 10-27-18 - 1-24-19

Fund: 290 - EDA Operations

290.100.1010199 Claim on Cash

Post Date	Source Transaction	Description	Vendor	Amount	Running Balance
		Agrees to Previous report ending 10/26/18			97,083.65
10/1/2018	JN09761	Record 3rd Quarter Interest Allocation		126.94	97,210.59
11/01/2018	JN09651	Rec November Allocations & depreciation		(74.99)	97,135.60
11/09/2018	PYPKT01353 - PR 11/09/18: 10/20/2018-11/2/2018	Payroll		(570.20)	96,565.40
11/13/2018	225921	Lynch 2019 Membership	02253 - RIVER HEIGHTS CHAMBER OF COMMERCE	(192.00)	96,373.40
11/23/2018	PYPKT01358 - PR 11/23/18: 11/3/2018-11/16/2018	Payroll		(571.66)	95,801.74
11/27/2018	226029	Payroll	11063 - GENESIS EMPLOYEE BENEFITS, INC	(0.35)	95,801.39
12/01/2018	JN09734	Rec December Allocations & Depreciation		(74.99)	95,726.40
12/07/2018	PYPKT01365 - PR 12/07/18: 11/17/2018-11/30/2018	Payroll		(570.20)	95,156.20
12/11/2018	226178	Quiet Zone Implementation	03465 - SRF CONSULTING GROUP, INC	(1,446.12)	93,710.08
12/18/2018	226251	Legal	00538 - LEVANDER, GILLEN & MILLER P.A.	(216.00)	93,494.08
12/21/2018	PYPKT01373 - PR 12/21/18: 12/1/2018-12/14/2018	Payroll		(571.66)	92,922.42
12/28/2018	226326	Payroll	11063 - GENESIS EMPLOYEE BENEFITS, INC	(0.35)	92,922.07
12/31/2018	JN09806	To record 2018 transfers		83,100.00	176,022.07
01/01/2019	JN09833	Record January Allocations & Depreciation		(58.33)	175,963.74
01/04/2019	PYPKT01377 - PR 01/04/19: 12/15/2018-12/28/2018	Payroll		(571.05)	175,392.69
01/08/2019	226480	2019 Membership	01859 - PROGRESS PLUS	(7,000.00)	168,392.69
01/11/2019	226492	Gundlach EDAM Conference	06932 - EDAM	(285.00)	168,107.69
01/15/2019	226519	Payroll	11063 - GENESIS EMPLOYEE BENEFITS, INC	(0.35)	168,107.34
01/18/2019	PYPKT01391 - PR 01/18/19: 12/29/2018-1/11/2019	Payroll		(572.51)	167,534.83

City of Inver Grove Heights EDA Acquisitions Fund 291

Revenues Over (Under) Expenditures by Project

Project costs to Date as of 12/31/18

Project	Revenues	Expenditures	Revenue Over (Under) Expenditures
E001 - Golf Course Land Purchase	353,485.52	358,535.52	(5,050.00)
E002 - 8195 Babcock Trail	356,879.70	218,379.70	138,500.00
E003 - 6671 Concord	159,942.39	159,962.76	(20.37)
E004 - 6685 Concord	139,503.54	139,523.91	(20.37)
E005 - River Country Cooperative	682,448.90	682,448.90	-
E006 - 6845 Dixie Ave	337,485.79	337,506.20	(20.41)
E007 - 4196 68th St E	228,183.18	228,210.79	(27.61)
E008 - 6639 Concord	465,199.02	518,849.91	(53,650.89)
E009 - 6656 Doffing	-	450.00	(450.00)
E010 - McPhillips	394,215.35	502,090.02	(107,874.67)
E011 - 6863 Dickman Trail	-	3,000.00	(3,000.00)
E012 - 6840 Dixie Ave E	-	21,958.88	(21,958.88)
E013 - 6900 & 6910 Dixie Ave	274,558.84	274,605.02	(46.18)
E014 - 6653 Concord Blvd	217,030.67	217,051.04	(20.37)
E015 - 11025 Courthouse Blvd	-	2,200.00	(2,200.00)
E016 - 11105 Courthouse Blvd	-	2,200.00	(2,200.00)
E017 - 11097 Courthouse Blvd	-	2,200.00	(2,200.00)

	Account Balances as of 12/31/18
Claim on Cash	**(153,547.91)**
E002 - Land Available for Sale	**1,138,500.00**
Accounts Payable	**48,170.38**
E002 - Loan from Host Community Fund for Land Purchase	**1,000,000.00**

City of Inver Grove Heights

Account Detail

Date Range: 10-27-18 - 1-24-19

Fund: 291 - EDA Acquisitions

291.100.1010199 Claim on Cash

Post Date	Source Transaction	Description	Vendor	Amount	Running Balance
		Agrees to Previous report ending 10/26/18			(148,969.12)
10/31/2018	JN09638	10/2018 CITY Utility Payments		(47.95)	(149,017.07)
11/30/2018	JN09767	11/2018 CITY Utility Payments		(5.47)	(149,022.54)
12/4/2018	226069	Action Roofing & Siding	05145 - ACTION ROOFING & SIDING LLC	(4,519.90)	(153,542.44)
12/31/2018	JN09876	12/2018 CITY Utility Payments		(5.47)	(153,547.91)
1/8/2019	226463	EVERGREEN	04350 - EVERGREEN LAND SERVICES	(1,347.38)	(154,895.29)
1/15/2019	226560	NITTI	12545 - NITTI ROLLOFF SERVICES, INC.	(46,823.00)	(201,718.29)

AGENDA ITEM 4A

MEMORANDUM
CITY OF INVER GROVE HEIGHTS

DATE: January 28, 2019

TO: Economic Development Authority

FROM: Janice Gundlach, Community Development Director

SUBJECT: Election of Officers

The Economic Development Authority is being asked to elect officers for 2019.

Per the EDA's official bylaws, the February meeting is considered the EDA's annual meeting. Those bylaws state the purpose of the annual meeting is to elect officers for the coming year. The current officers are:

President:	Rosemary
Vice-President:	Tom
Treasurer:	George
Assistant Treasurer:	City's Finance Director
Secretary:	Executive Director's Designee

AGENDA ITEM 4B

MEMORANDUM
CITY OF INVER GROVE HEIGHTS

DATE: January 31, 2019

TO: Economic Development Authority

FROM: Janice Gundlach, Community Development Director JG

SUBJECT: Open to Business Year-End Report

Laurie Crow from Open to Business will present the year-end report and accept questions from the EDA. Staff also recommends the EDA inquire about marketing efforts for 2019 to increase use of the program. Suggestions for 2019 marketing include:

- Utility billing inserts (to reach existing & prospective home-based businesses)
- Facebook posts
- Insights articles
- Targeted mailing to list of IGH businesses

ATTACHMENTS
2018 Year-End Report

OPEN TO BUSINESS

Updates

Dakota County Jan-Dec 2018

Open to Business
3137 Chicago Ave
Minneapolis, MN 55407
612-789-7337

Clients Served:

Pre-Start Planning	42
Start-up	19
Existing Business- Opportunity	36
Existing Business- Challenged	23
Total Clients:	**120**

Financing:

Approved:

Number	
Amount	
Leveraged	

Program Hours:

1st QTR-	454.75
2nd QTR-	404.00
3rd QTR-	484.00
4th QTR-	465.00
Total Contract:	1807.75

Referral Source:

Municipality	74
Other Entrepreneur	3
Bank Referral	6
Family/Friend	11
Other	16
Web	10

Industry Segment:

Retail	18
Service	62
Food	26
Health/Fitness	6
Manufacturing	2
Construction/Real Estate	3
Technology	0
Professional/Consulting	3

City*:	Bus.	Res.
Apple Valley	6	8
Burnsville	19	17
Eagan	15	16
Farmington	9	10
Hastings	12	12
Inver Grove Heights	10	6
Lakeville	12	15
Mendota Heights	5	7
Rosemount	9	8
S. St. Paul	4	3
W. St. Paul	6	4

* Many clients are both residents of the County, and operate or plan to operate in the County as well. For the purposes of City identification *only* they may appear in both columns above. **Total Clients** reported reflects unique engagements- aggregating multiple cities- or owners- to a single client engagement.

Financing to Businesses Located in Dakota County:

Approved Loan:
Business Type: Construction/Real Estate
Location: Farmington
Referred by: Municipality
OTB Financing: $50,000
Other Financing: $38,000 Owner Equity

Overview: Founded in 2008 this construction company specializes in window and roof replacements. In 2011, the Owner sustained an injury from a fall while working on a job. The resulting injury impacted both his health and the health of the business. In 2016 ownership of the business was transferred to the Owners daughter. Since the transfer the business has become bonded and is bidding on larger projects. MCCD has provided several transactional loans to help this Farmington based business pay for materials and labor until payment was received from the state. The most recent financing provides permanent working capital to help the company sustain its growth.

Approved Loan:
Business Type: Retail
Location: Hastings
Referred by: Municipality
OTB Financing: $15,000
Other Financing: $25,000 City of Hastings, $10,000 Owner Equity

Overview: Borrower is a start-up retail business that will sell contemporary women's apparel and accessories in the Meyer Company Building in downtown Hastings. In conjunction with their brick and mortar location they also plan to sell their wares online. Their target date to open is March/April 2018. Their target consumer will be women from Hastings and the surrounding communities, and they will carry designer collections from apparel markets located in Minneapolis and Chicago as well as local designers who are unable to meet the production quantities required by larger department stores. As well as stylish apparel and accessories, the business will also offer a variety of services for the tech savvy shopper. Their website will launch prior to their Grand Opening and will include all of the stores pertinent information as well as a stylist blog and will contain an ecommerce platform including Facebook and Instagram.

Approved Loan:
Business Type: Service
Location: West St Paul
Referred by: Bank
OTB Financing: $180,000
Other Financing: $3,275,500 Bank, $381,800 Equity

Overview: Borrower is a new business entity formed in November of 2017 to own and operate a climate controlled mini-storage facility in West St. Paul. The company ownership includes Inver Grove Heights residents who are also part-owners of Inver Grove Storage. The proposed project will be the construction of a three-story, climate controlled self-storage facility in West St. Paul. The project will have individual storage units with roll up doors. The proposed building will be 51,900 square feet with a net leasable unit mix of about 41,000 square feet. In total, the project will have about 469 individual storage units.

Approved Funding:
Business Type: Food
Location: Apple Valley
Referred by: Municipality
Other Funding: $1,000 Grant

Overview: Catering/Food Service business making steady progress, and looking to add retail rubs/sauces to supplement revenue. OTB assisted with accessing a Micro grant to help with her expansion.

Financing to Dakota County Residents Operating Elsewhere:

Approved Loan:
Business Type: Service
Resident City: Rosemount
Referred by: Bank
OTB Financing: $30,000
Other Financing: $635,300 Bank, $28,350 Equity
Overview: This entrepreneur has operated his garage storage systems sales and services business, out of his home since he founded it in 2011. However, the business has outgrown the home. The Owner has identified commercial space in Blaine that will allow the business to continue its growth over the next several years. 21st Century Bank provided a 1st mortgage on the property, while Open to Business provided gap financing to help with the purchase, allowing the business to meet equity requirements and retain cash in the business for working capital.

Approved Loan:
Business Type: Service
Resident City: Eagan
Referred by: Other Entrepreneur
OTB Financing: $10,000
Other Financing: N/A

Overview: The Client has been filling a niche in the automotive world since fall of 2015; providing auto detailing for car dealerships. The business has grown quickly, but after running into an issue with a former co-owner, the client decided to separate from his partner and form his own company. Open to Business provided an initial loan- along with help from a pro-bono attorney- to help the client launch the new business, and funded this second loan in the first quarter of 2018 to provide some needed working capital.

Approved Loan:
Business Type: Retail
Resident City: Apple Valley
Referred by: Bank
OTB Financing: $150,000
Other Financing: $1,627,500 Bank, $257,500 Equity

Overview: Apple Valley resident purchasing an operating business and real estate of a St Paul Grocery/market. Open to Business provided gap financing in the project to meet the Bank's Loan to Value guidelines and reduce the operator's equity requirements, allowing the business to retain much-needed working capital.

Approved Loan:
Business Type: Retail
Resident City: Lakeville
Referred by: Other
OTB Financing: $15,000
Other Financing: $6,000 Equity

Overview: Lakeville residents have tapped into the arts culture of Stillwater with their new retail store and gallery. Their shop on Main Street sells their own art work along with collections from other artists. Open to Business financing will allow the partners to purchase additional inventory and expand their marketing efforts.

AGENDA ITEM ___4C__

MEMORANDUM
CITY OF INVER GROVE HEIGHTS

DATE: January 29, 2019

TO: Economic Development Authority

FROM: Janice Gundlach, Community Development Director

SUBJECT: **Market Update**

Staff has arranged for Peter Tanis from Newmark Knight Frank (Newmark) to provide an update on the market, specifically the fourth quarter of 2018. Supporting market information is attached. Staff is recommending that regular market reports be provided to the EDA to facilitate more informed land use and economic development decisions locally. Being more informed of market conditions also provides greater understanding of how vacant City-owned properties might be able to be developed/redeveloped under a City/Developer partnership. For the purposes of reviewing the market reports, Inver Grove Heights is considered the "Southeast" submarket.

ATTACHMENTS
Market Report 4Q 2018

RESEARCH **4Q 2018**

Newmark Knight Frank

MINNEAPOLIS – ST. PAUL OFFICE MARKET

MARKET TRENDS

The Minneapolis-St. Paul office market positively absorbed 478,063 square feet during the fourth quarter of 2018. Vacancy was 11.8%, down from 12.4% at year-end 2017. For 2018, the market absorbed more than 1.4 million square feet. Class A properties led absorption for the year with 653,337 square feet absorbed, and the Southwest led submarket absorption with 488,735 square feet. Full service gross rental rates averaged $25.11/SF overall, with the North Loop submarket in the Minneapolis CBD posting the highest rate at $37.06/SF.

CONSTRUCTION

Construction was completed on the 225,000-square-foot first phase of Prime Therapeutics' offices in the Southeast submarket. The property is located on 40 acres in Eagan near the new Viking Lakes development and will total nearly 400,000 square feet when completed.

Also completed during the quarter was MoZaic East, the second building in Ackerberg Group's MoZaic development in the Uptown neighborhood of Minneapolis. WeWork opened a 102,000-square-foot office in the new, 198,000-square-foot property.

Properties currently under construction or renovation are concentrated in the Minneapolis CBD. Thrivent is building a 240,000-square-foot headquarters property, construction is underway at The Nordic, and Swervo Development is nearing completion on a 200,000-square-foot building in the North Loop, where Calabrio will lease 120,000 square feet. Swervo is also redeveloping the former YMCA in the Core into 140,000 square feet of creative office space. The redevelopment of the former Macy's department store along Nicollet Mall will offer approximately 850,000 square feet of office space with 90,000-square-foot floor plates.

United Properties continues to move forward with the proposed Gateway Tower, which will be anchored by RBC Wealth Management and will also include a Four Seasons hotel. In the West submarket, Ryan Companies and the Excelsior Group have a 311,300-square-foot office building planned.

FUTURE TRENDS

A surge of new and renovated space will hit the Minneapolis CBD market in 2019, totaling nearly 1.4 million square feet. Expect the CBD's multi-tenant vacancy to increase from 15.9% to 18.4% and its Class A vacancy to spike from 12.8% to 17.7%. Also expect asking rental rates to plateau, particularly among Class A properties as competition for tenants intensifies.

As companies continue to face recruiting and retention challenges in a tight labor market, office space has become an important part of attracting talent. Properties with desirable amenities, energy efficiencies, high ceilings, natural light and collaborative workspace will remain in demand.

CURRENT CONDITIONS

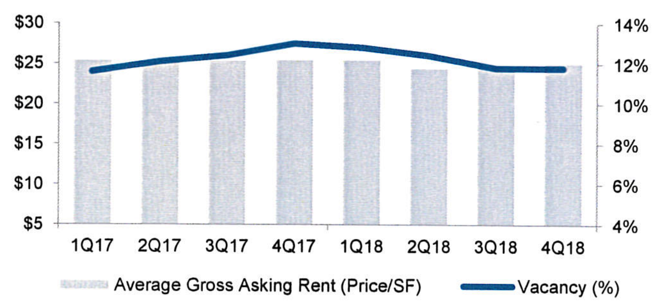
Quarterly net absorption of 478,063 square feet

Overall vacancy rate of 11.8%

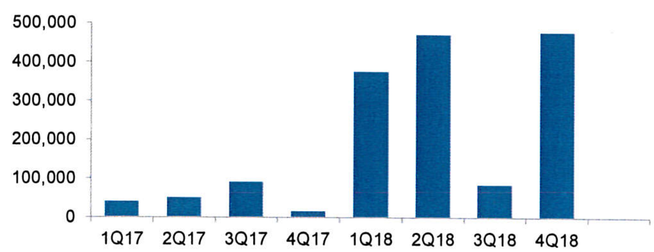
1,096,700 square feet under construction

MARKET ANALYSIS

Gross Asking Rent and Vacancy



Net Absorption (SF)



MARKET SUMMARY

	Current Quarter	Prior Quarter	12 Month Forecast
Total Inventory	119.2M	118.8M	↑
Availability Rate	11.8%	11.8%	↓
Quarterly Net Absorption	4780,3	85,371	↑
Average Asking Rent	$25.11	$24.52	↑
Under Construction	1,096,700	1.4M	↓
Deliveries	436,000	0	↑

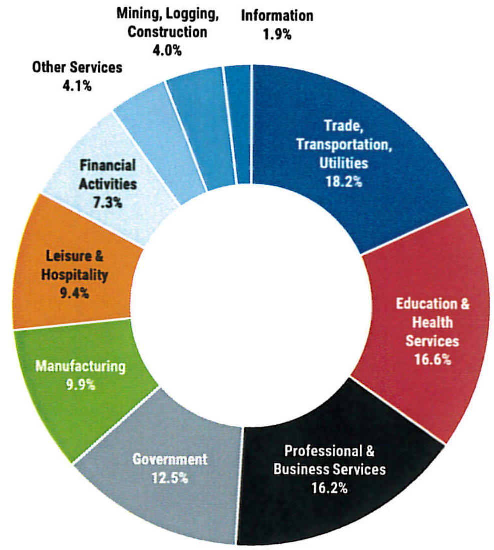
ECONOMIC CONDITIONS

The Minneapolis-St. Paul metropolitan area has a highly educated workforce along with a diverse economy that is home to 18 Fortune 500 companies, more than anywhere else in the world. Additionally, more than 320 Fortune 500 companies have a local presence. Minneapolis-St. Paul's unemployment rate, which is historically lower than the nation's, was at 2.0% as of November 2018, compared with the national rate of 3.7%. CNBC ranked Minnesota third on its list of America's Top States for Business in 2017.

Minneapolis-St. Paul is a global leader in biotechnology and biomedical research with deep roots in agriculture, food exports and water technology and has one of the highest concentrations of banks and financial talent of any major metropolitan area. Six of the world's 10 leading medical device manufacturers have operations in the area. The area ranks high in quality of life and enjoys a great education system, low cost of living and high-quality, low-cost housing options. There are a wide range of cultural institutions, including fine art museums, two full-time professional orchestras, an internationally renowned opera company and hundreds of theatrical, musical and comedy troupes.

EMPLOYMENT BY INDUSTRY

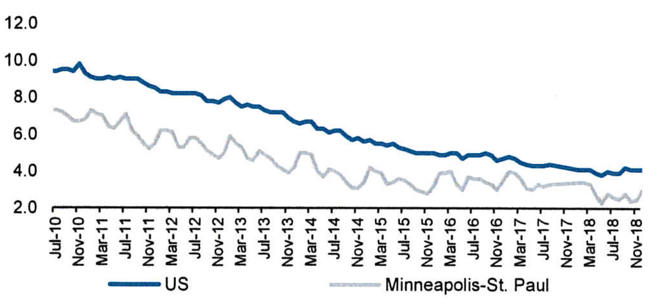
Employment by Industry Minneapolis-St. Paul



Source: U.S. Bureau of Labor Statistics

UNEMPLOYMENT RATE

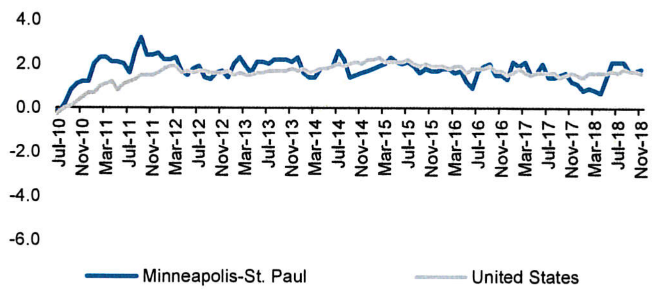
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

PAYROLL EMPLOYMENT

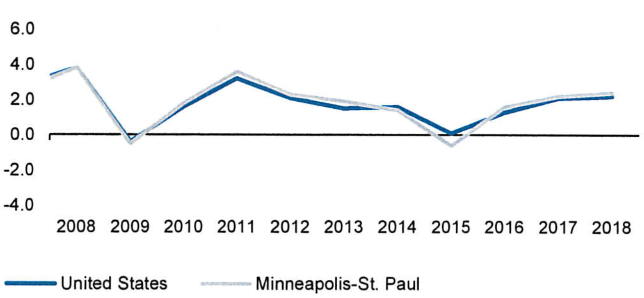
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

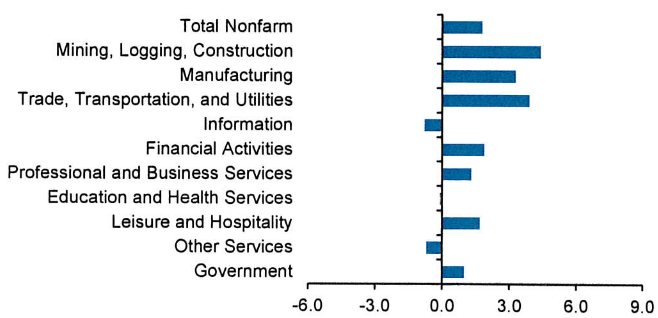
All Items, annual % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

November 2018 12-Month % Change, Seasonally Adjusted



Source: Bureau of Labor Statistics

SELECT LEASE TRANSACTIONS

Tenant	Property	Address	City	Submarket	Type	Size (SF)
Tactile Systems Technology	Target West	3701 Wayzata Blvd	Minneapolis	West	New	100,000
Alula	Midway Innovation Center	2340 Energy Park Drive	St. Paul	Northeast	New	68,000
Digi International	Excelsior Crossing	9350 Excelsior Blvd	Hopkins	Southwest	New	59,497
Ovative	The Nordic	729 N Washington Ave	Minneapolis	Minneapolis CBD	New	38,000
Accra	12600 Whitewater Dr	12600 Whitewater Dr	Minnetonka	Southwest	New	35,108
Adolfson & Peterson	The Colonnade	5500 Wayzata Blvd	Golden Valley	West	Sublease	23,633
Summit Orthopedics	Woodbury Medical Building	7125 Tamarack Rd	Woodbury	Southeast	New	21,779
3M	500 Bielenberg Dr	500 Bielenberg Dr	Woodbury	Southeast	Expansion	20,522
National Recoveries	Brookdale Corporate Center II	6200 Shingle Creek Pkwy	Brooklyn Center	Northwest	New	19,096
Analytics Consulting Inc	Dell Five G	18651-18691 Lake Dr E	Chanhassen	Southwest	Renewal	18,087
Erickson Rhode Association	Court International	2550 W University Ave	Saint Paul	Northeast	New	18,005
National MS Society	University Park Plaza	2829 SE University Ave	Minneapolis	Northeast	New	15,627
Versique	Park Place West	6465 Wayzata Blvd	Saint Louis Park	West	New	10,487

SELECT SALES TRANSACTIONS

Property	Address	City	Submarket	Buyer	Seller	Price	SF	Price PSF
Target Plaza 3	50 S Tenth St	Minneapolis	Minneapolis CBD	Menlo Equities	Union Investment	171,000,000	498,768	$343
West End Towers	1550 & 1600 Utica Ave. S.	Saint Louis Park	West	Accesso Partners	DRA Advisors	115,500,000	497,234	$232
180 East Fifth	180 E 5th St	Saint Paul	St. Paul CBD	Gamma Real Estate	Talon First Trust	51,995,000	675,130	$77
Excelsior Crossings	9320 Excelsior Blvd	Hopkins	Southwest	Piedmont REIT	Hines Global REIT I	49,500,000	254,915	$194
Minnesota Center	7600 France Ave S	Bloomington	Southwest	Altus Properties	Transwestern	48,600,000	277,044	$175
Target West	3701 Wayzata Blvd	Minneapolis	West	The Opus Group	Target Corporation	22,100,000	392,335	$56
United Health	6150 Trenton Ln	Plymouth	Northwest	6150 Trenton LLC	UnitedHealth Group	20,000,000	86,573	$231
Normandale Place	8201 Norman Center Dr	Bloomington	Southwest	Upper Midwest Mgmt Corp	AtWater Group	13,000,000	82,000	$159
Merrill-Energy Park	1 Merrill Circle, 1419 Energy Park Drive, 1501 Energy Park Drive	St. Paul	Northeast	Hoyt Properties	Merrill Corp.	9,950,000	202,692	$49
Tri-Tech Plaza	331 Second Ave S	Minneapolis	Minneapolis CBD	Novel Coworking	DCI Technology Holdings	8,600,000	115,452	$74
3021 Harbor Lane North	3021 Harbor Ln N	Plymouth	Northwest	SH Harbor LLC	Harbor Lane of Plymouth	5,800,000	32,120	$181
Brentwood I-II	5700 Smetana Dr	Minnetonka	Southwest	UnitedHealth Group	Lone Star Funds	5,600,000	112,112	$50
Currell Centre	7616 Currell Blvd	Woodbury	Southeast	Linn Investment Properties LLC	Sara Investment	5,565,000	43,674	$127
SixtyOne60	6160 Summit Dr	Brooklyn Center	Northwest	Hempel Properties	AtWater Group	5,450,000	104,179	$52
Ecolab University Center	386 Wabasha St N	St. Paul	St. Paul CBD	Freedom Development Corp	CW Asset Management	5,350,000	154,604	$35
9150 Springbrook Drive Northwest	9150 Springbrook Dr NW	Coon Rapids	Northeast	JHM Coon Rapids Properties LLC	Big Pine LLC	4,300,000	56,260	$76
227 Colfax Avenue North	227 Colfax Ave N	Minneapolis	Minneapolis CBD	Alliance Francaise de Minneapolis St Paul	227 Colfax LLC	2,800,000	16,100	$174

SUBMARKET STATISTICS – MINNEAPOLIS CBD

	Total Inventory (SF)	Total Vacant	With Sublease Vacant	Q1 2018 Absorption	Q2 2018 Absorption	Q3 2018 Absorption	Q4 2018 Absorption	YTD Absorption	Weighted Avg. Rental Rate (FSG)	Under Construction
Core										
Class A	17,577,963	2,051,475	11.7%	(57,161)	9,243	77,172	63,898	93,152	$34.15	350,000
Class B	7,135,265	1,828,783	25.6%	87,885	62,533	(97,139)	106,827	160,106	$27.76	0
Class C	148,201	31,673	21.4%	(3,962)	636	15,000	0	11,674	NA	0
Totals	**24,861,429**	**3,911,931**	**15.7%**	**26,762**	**72,412**	**(4,967)**	**170,725**	**264,932**	**$31.88**	**0**
East										
Class A	1,407,443	107,846	7.7%	853	0	(299)	0	554	$31.29	0
Class B	879,568	185,565	21.1%	(8,367)	5,301	(15,378)	(11,847)	(30,291)	$27.28	0
Class C	175,842	14,859	8.5%	(15,477)	0	(2,200)	0	(17,677)	NA	0
Totals	**2,462,853**	**308,270**	**12.5%**	**(22,991)**	**5,301**	**(17,877)**	**(11,847)**	**(47,414)**	**$27.87**	**0**
Loring										
Class A	0	0	0.0%	0	0	0	0	0	NA	0
Class B	58,312	0	0.0%	0	0	0	0	0	$15.90	0
Class C	165,797	103	0.1%	3,286	(1,487)	2,597	300	4,696	NA	0
Totals	**224,109**	**103**	**0.0%**	**3,286**	**(1,487)**	**2,597**	**300**	**4,696**	**$15.90**	**0**
Northeast										
Class A	200,739	29,173	14.5%	54,641	2,418	3,920	4,233	65,212	$26.07	0
Class B	1,643,297	89,985	5.5%	(39,519)	79,090	257	44,954	84,782	$23.22	0
Class C	1,335,645	45,170	3.4%	31,976	(29,516)	197	(6,236)	(3,579)	$20.59	0
Totals	**3,179,681**	**164,328**	**5.2%**	**47,098**	**51,992**	**4,374**	**42,951**	**146,415**	**$23.82**	**0**
Northloop										
Class A	434,333	0	0.0%	0	0	0	0	0	NA	394,700
Class B	1,565,289	197,907	12.6%	(50,387)	90,723	26,145	45,752	112,233	$28.00	0
Class C	311,165	0	0.0%	0	1,000	0	1,139	2,139	$20.00	0
Totals	**2,310,787**	**197,907**	**8.6%**	**(50,387)**	**91,723**	**26,145**	**46,891**	**114,372**	**$28.53**	**0**
Warehouse										
Class A	434,333	0	0.0%	0	0	0	0	0	NA	0
Class B	1,565,289	197,907	12.6%	(50,387)	90,723	26,145	45,752	112,233	$28.00	0
Class C	311,165	0	0.0%	0	1,000	0	1,139	2,139	$20.00	0
Totals	**2,310,787**	**197,907**	**8.6%**	**(50,387)**	**91,723**	**26,145**	**46,891**	**114,372**	**$28.53**	**0**
Overall										
Class A	20,462,253	2,300,994	11.2%	8,501	14,893	87,793	66,774	177,961	$34.59	744,700
Class B	12,455,508	2,529,172	20.3%	(12,849)	189,879	(88,988)	187,709	275,751	$27.30	0
Class C	2,500,037	119,606	4.8%	35,292	(26,529)	10,913	(10,876)	8,800	$20.56	0
Totals	**35,417,798**	**4,949,772**	**14.0%**	**30,944**	**178,243**	**9,718**	**243,607**	**462,512**	$30.73	**744,700**

Data includes single and multi-tenant office buildings; does not include owner-occupied properties (75% or more occupied by owner)

4Q 2018 **MINNEAPOLIS-ST. PAUL OFFICE MARKET**

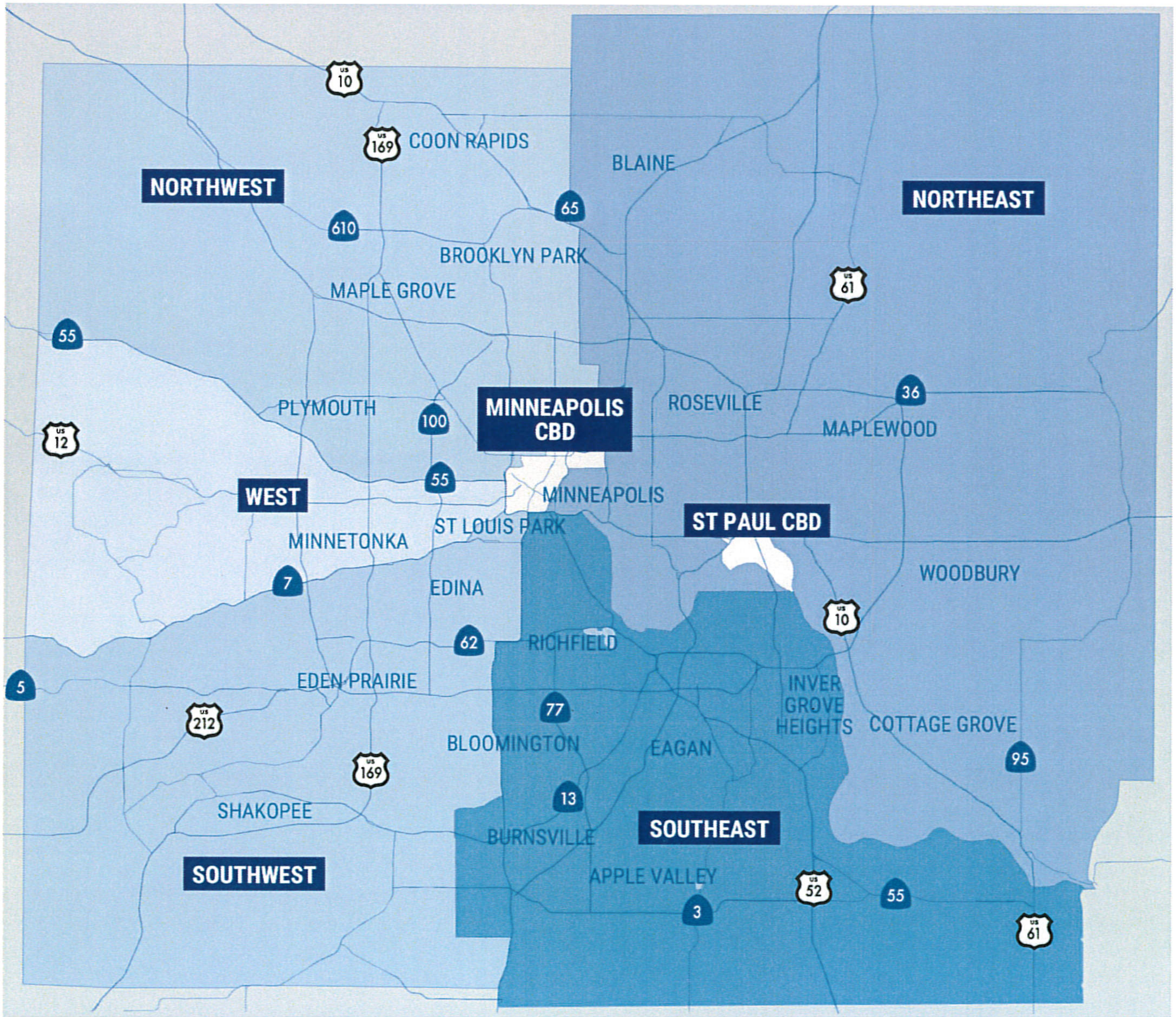
Newmark Knight Frank

SUBMARKET STATISTICS

	Total Inventory (SF)	Total Vacant	w/Sublease Vacant	Q1 2018 Absorption	Q2 2018 Absorption	Q3 2018 Absorption	Q4 2018 Absorption	YTD Absorption	Weighted Avg. Rental Rate (FSG)	Under Construction
St. Paul CBD										
Class A	4,409,973	350,127	7.9%	83,158	77,832	(41,713)	6,795	126,072	$25.29	0
Class B	2,802,198	775,799	27.7%	(153,737)	(18,738)	47,852	(9,875)	(134,498)	$21.73	0
Class C	321,548	65,991	20.5%	(11,263)	743	1,228	1,545	(7,747)	$16.25	0
Totals	**7,533,719**	**1,191,917**	**15.8%**	**(81,842)**	**59,837**	**7,367**	**(1,535)**	**(16,173)**	**$22.40**	**0**
Northeast										
Class A	1,307,435	183,364	14.0%	(17,007)	12,310	(10,000)	(38,168)	(52,865)	$25.76	0
Class B	14,015,528	1,067,250	7.6%	(3,892)	34,844	74,410	25,824	131,186	$19.61	0
Class C	3,981,719	178,385	4.5%	17,693	1,190	(14,694)	26,988	31,177	$14.14	0
Totals	**19,304,682**	**1,428,999**	**7.4%**	**(3,206)**	**48,344**	**49,716**	**14,644**	**109,498**	**$20.03**	**0**
Northwest										
Class A	1,046,953	389,959	37.2%	(15,136)	5,507	83,163	(3,647)	69,887	$22.50	0
Class B	3,649,581	446,263	12.2%	59,144	(66,065)	(20,568)	21,776	(5,713)	$24.76	0
Class C	971,731	19,045	2.0%	(433)	(750)	(1,839)	8,619	5,597	$19.40	0
Totals	**5,668,265**	**855,267**	**15.1%**	**43,575**	**(61,308)**	**60,756**	**26,748**	**69,771**	**$24.04**	**0**
Southeast										
Class A	2,463,762	326,889	13.3%	(39,956)	(2,262)	8,418	105,848	72,048	$34.56	352,000
Class B	9,706,979	819,701	8.4%	27,354	7,672	(59,149)	(7,876)	(31,999)	$21.95	0
Class C	3,704,142	161,818	4.4%	(18,650)	17,500	(676)	27,624	25,798	$17.59	0
Totals	**15,874,883**	**1,308,408**	**8.2%**	**(31,252)**	**22,910**	**(51,407)**	**125,596**	**65,847**	**$22.82**	**399,575**
Southwest										
Class A	8,040,861	1,156,125	14.4%	46,371	100,384	8,136	70,815	225,706	$32.18	0
Class B	10,371,156	1,448,997	14.0%	155,143	(60,297)	26,219	(14,574)	106,491	$26.56	0
Class C	5,423,721	427,887	7.9%	83,021	39,909	14,024	19,584	156,538	$17.81	0
Totals	**23,835,738**	**3,033,009**	**12.7%**	**284,535**	**79,996**	**48,379**	**75,825**	**488,735**	**$27.47**	**0**
West										
Class A	3,497,195	340,068	9.7%	23,124	49,437	(44,681)	6,648	34,528	$34.53	0
Class B	6,209,474	834,137	13.4%	111,113	83,199	907	(2,306)	192,913	$23.45	0
Class C	2,058,975	123,665	6.0%	(1,521)	10,105	4,616	(11,164)	2,036	$19.48	0
Totals	**11,765,644**	**1,297,870**	**11.0%**	**132,716**	**142,741**	**(39,158)**	**(6,822)**	**229,477**	**$28.28**	**0**
Total Market										
Class A	41,228,432	5,047,526	12.2%	89,055	258,101	91,116	215,065	653,337	$29.92	1,096,700
Class B	59,210,424	7,921,319	13.4%	182,276	170,494	(19,317)	200,678	534,131	$23.62	0
Class C	18,961,873	1,096,397	5.8%	104,139	42,168	13,572	62,320	222,199	$17.89	0
Totals	**119,400,729**	**14,065,242**	**11.8%**	**375,470**	**470,763**	**85,371**	**478,063**	**1,409,667**	**$25.11**	**1,096,700**

Data includes single and multi-tenant office buildings; does not include owner-occupied properties (75% or more occupied by owner)

NEWMARK KNIGHT FRANK MINNEAPOLIS OFFICE SUBMARKETS



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Research Director
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Newmark Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Knight Frank Research Reports are available at www.ngkf.com/research

AGENDA ITEM 4D

MEMORANDUM
CITY OF INVER GROVE HEIGHTS

DATE: January 29, 2019

TO: Economic Development Authority

FROM: Janice Gundlach, Community Development Director JG

SUBJECT: Progress Plus Update

Jennifer Gale, President of the River Heights Chamber of Commerce has provided the attached Progress Plus update. Ms. Gale will be present to provide an oral update and to address questions or concerns of the EDA.

ATTACHMENTS
Progress Plus Report

PROGRESS PLUS

ECONOMIC DEVELOPMENT PARTNERSHIP

Report: February 2019

Economic Development Activities

Events/meetings:

- Continued to facilitate meetings and the exchange of information between Big Heist Brewing partners to discuss financing terms with South St. Paul Future.
- Met with Greg Waibel of Greater Twin Cities YMCA to discuss real estate and the Center for Equity and Inclusion.
- Met with Sharon Madsen to explore media plans for economic development projects in the future.
- Continue working with the MN Vikings on community events at the TCO Performance Center and the opening of their new hotel scheduled to break ground this spring.
- Met with Ling Becker of Vadnais Heights Economic Development Partnership to brainstorm workforce development programs to implement with our school districts and sectors of our local business community.
- Met with B Kyle of St. Paul Chamber to learn about their Business Retention Expansion & Attraction Committee which is dedicated to building stronger relationships with key employers, maintaining and recruiting strategic Chamber members. The committee's mission is to meet with larger companies for membership consideration, building relationships and conveying the value Chamber initiatives bring to the employer community. Planning to implement a committee similar to this with Progress Plus.
- Attended the Greater MSP Annual Meeting at Orchestral Hall.
- Participated in the DCTC Industries and Partnership Tour. Progress Plus would like to expand on this tour by involving more of the business community in a partnership event of this kind.
- Met with Jen Strand who is coordinating the Dakota County Workforce Job Fair in Eagan this spring to explore how to engage more River Heights businesses.
- Attended the EDAM monthly membership meeting at Evolve Workspace and explored more shared workspace concepts around Minnesota and Colorado.

- **Marketing:**
- Coordinated a vision meeting with local graphic designer to produce a "Starting a Business" packet – first with Inver Grove Heights and then with South St. Paul in 2019.

Grow Minnesota:

- GrowMN visits were made with:
    1. Hometown Meats
    2. Ideal Credit Union
    3. Ameritek
    4. Dairy Queen
    5. Angelo's Italian Restaurant
    6. Inver Grove Heights Hyundai
    7. Cahill Dental
    8. Vandalia Glass Works
    9. Tealwood Estates
    10. All State Insurance - Frankot

GrowMN forms are available for any Councilmember/EDA Commissioner, city staff and volunteers to complete and return to Jennifer at Progress Plus.

Inquiries:

- Met with United Properties to discuss the Inver Point Business Park ordinance change proposal. Worked with Connor and team to discuss message for the neighborhood meeting on January 29.
- Worked with MNCAR Exchange to update listings for SSP on the website. Inver Grove Heights doesn't have any public listings on the site currently.