City of North St. Paul
Economic Development Authority
Regular Meeting Minutes

February 8, 2022
3:00 PM

I. Call to Order

Robert Dew called the meeting to order at 3:00 PM.

Pledge of Allegiance

II. Roll Call

Robert Dew, Chair - Here
Kevin Fuller, Vice Chair – Absent (notified)
Don Jensen, Treasurer – Here (Arrived at 3:11 PM)
Tom Schifsky - Here
Archie Vickerman – Absent (notified)
Terry Furlong, Mayor/Council Representative - Here
Tim Cole, Council Representative - Here
John Stark, Executive Director - Here
Brett Garry, Business Association Representative – Here

STAFF
Lisa Ritchie, EDA Admin. Assistant

Attending via ZOOM

Attendee: Port Authority Representative Tonya Bauer

Note: Terry Furlong inquired about excused/unexcused absences and asked if we make note of that? Robert Dew responded that he has not seen a document that applies to the EDA in that regard. If there isn't anything in the By-laws that reference that…Terry had previously mention there is a city policy (?) that applies commissions and other things and Robert doesn't know if that is applicable to the EDA or not. John stated that he believes it does apply to the EDA. The city code states that the city council will conduct an annual review of commission members attendance records. The policy talks about excused/unexcused absences but doesn't go into great detail to explain it. We've talked about defining it, at a minimum, if forewarning is given, that absence is excused. If someone does not show up without forewarning, that is unexcused. Robert asked for staff to look into this to verify if it does apply to the EDA. Bring information to the next meeting. Robert added that whether or not it is technically needed, we would follow the guidelines. John Stark stated staff would come back with a recommendation on an attendance policy.

III. Adopt Agenda

Robert requested moving Election of Officers to the last item of business. Terry Furlong made a motion to adopt the agenda with proposed change and it was seconded by Tom Schifsky. Motion carried to adopt the agenda with all present voting AYE. Motion carried.

IV. Approval of Minutes

A. Meeting Minutes from February 8, 2022

Tim Cole made a motion to approve the February 8, 2022 meeting minutes which was seconded by Tom Schifsky the with all present voting aye. February 8, 2022 Minutes approved.

V. Meeting Open to the Public

Note: This is a courtesy extended to persons wishing to address the committee who are not on the agenda. A completed public comment form should be presented to the Arts and Culture Commission Committee Secretary prior to the meeting; presentationswill be limited to 3 minutes. This session will be limited to 15 minutes.

Panelist from the St. Paul Port Authority – Tonya Bauer (via ZOOM)

VI. Public Hearings

None

VII.

Commission Business, Action Items & Recommendations

B. Status of Letter of Intent to purchase 2515 – 2517 7th Ave East

Summary:

Tanya Bauer from the St. Paul Port Authority was present via Zoom to present the status of the Letter of Intent to purchase 2515 – 2517 7th Ave East. John Stark stated: “At the December 20th EDA meeting the Board directed staff in conjunction with the St. Paul Port Authority to present a letter of intent. The action on the Letter of Intent was further refined at the January 11th meeting to reflect a revision of the properties to be included in that offer. Tonya has been working with Mr. Schwartz (the sales agent of the property). Mr. Schwartz proposed several revisions to the letter of intent, which was attached in the meeting packet. John stated the requested revisions aren’t ideal, but thinks it is something the EDA can live with. If the EDA is agreeable to the terms of the LOI, the next step is for staff (John Stark, Tonya Bauer and the city’s legal counsel) to negotiate a purchase agreement with the property owner.

Tonya presented the proposed changes. Primarily regarding the Payment Process. Larger sum up front at closing, shorter payoff period, and 5% interest rate – seller financing. The finding was 5% was high but through negotiations, 3 % could be acceptable to the sellers. Tonya stated that within the LOI, the sellers noted Personal Property, which is a concern of Tonya's as our representative. We need to make sure we have proper due diligence to ensure the proper disposal costs are considered as part of the due diligence. The due diligence does allow for renegotiation, modification to the sale price based on the outcome of due diligence. The purchase agreement is indeed "assignable" that is another area we want to make sure that follows through. In addition, ensure the EDA indemnification when it comes to the uniformity of the location as there are current tenants residing in one the properties. Overall, there have not been any significate changes to the LOI that was presented to and approved by the EDA last month.

Robert stated he thinks all of that looks fine, the question he has is understanding that it is normal to extend due diligence if needed, however, sticking to the intent of having 90 days to do our work, if we executed the purchase agreement, are we prepared to do that due diligence. Tonya concurred. She will go back to try to negotiate but there is not a consulting contract in place with the EDA with regard to the redevelopment. This would be working closely with staff to gear up the correct team that can do the due diligence in an expedient manner.

John stated, the short answer is, NO. We don't have anyone lined up to do a phase one, and John himself is spread thin. John would like to look into working with the Port Authority to see what they can do on our behalf.

Robert added that he has no issue in engaging the Port Authority to assist or help drive the due diligence. We originally proposed 120 days for due diligence, but the sellers countered to 90 days.

John stated he would like set bench marks. Proposing we keep the 120-day due diligence and report progress. If we don't meet these steps by such and such a date, they can get out of the contract.

Tonya confirmed they can propose as such but added they came back hard on the shortened due diligence but she believes they are committed to working with the city as a buyer. If the message can be conveyed with the right message, they may consider it.

Per Robert, what may be helpful, is if the seller can share what they already have, such as a Phase 1 that could have possibly done a year ago.

Don Jensen stated he doesn't think that has been done but confirmed the 60/40 is more important than the 90 days. As the 60/40 gets them even, mortgage paid, brokerage fees paid, etc.

Robert stated in the only other item in the LOI that is a concern for him is they rejected participation in removing the personal property. This would have given them the opportunity to cap. If we find $250K removal costs it will be reflected on the final sale price of the property.

Tonya noted it was part of their conversations and is considered part of the due diligence period. She also noted, within the purchase agreement, it is required to deliver any environmental documentation they may have.

Per John, his main concern is the removal of personal property piece of the contract and wonders what a reasonable dollar amount would be for us to walk away from the deal.

Robert is fine with the way the LOI is worded and the costs. Regarding the timing, John stated there are 2 clocks that start clicking; one for the due diligence and the other is finding a developer. There a couple of developers that have expressed interest. The EDA will need to narrow that down quickly. Robert inquired with Tonya whether the Port has staffing to be able to assist with due diligence.

Tonya replied, a proposal would need to be put together for this. They would not be working with an in-house team. They would put together a project team. They are full capacity right now in many different realms but she is sure they can work to assist with the due diligence as well as the development. She will work with the Ports Senior VP of development to put a proposal and project team together.

Robert asked staff to verify that we have a plan on that, which isn't 4 months out before anything is signed. Tonya indicated June 30th was the originally proposed closing date. If the EDA becomes property owner before June 30th, that means the property would become tax exempt for the payable tax year the following year. Which could be added value to potential developers.

John spoke of the developer interest in the site. There were already 2 parties interested in the property when John started working for the city which he has had (along with the Port Authority folks) multiple conversations. Both are still interested. One seems ready to take concrete steps to move forward. One of John's fear is that the EDA gets on board with one of the developers and down the road we may hear different thoughts from the Planning Commission or City Council.He prefers to have a joint workshop with a select few from the EDA, Planning and Council to vet the 2 proposals. Based on timing, it would need to be a "Special Meeting" in February, hoping to move forward with the project after the meeting.

Robert doesn't want to lose sight of the end goal which is to gain control of the building and is fine with holding off a bit (4-6 months) to get the right deal if needed. Per Robert the next step is to have staff proceed with finalizing a purchase agreement and get a proposal from the Port Authority to ensure we have the ability to conduct the due diligence.

Regarding the due diligence period, John stated that Tonya should communicate to the sellers, there are pro's and con's with working with a public entity. Pro is it is public information that is obtainable and we are a reputable body. The downside is the EDA only meets once a month and we are a little short staffed, so hopefully if Tonya can convince them that there are enough positives in dealing with the government entity, that dealing with another 30 days is worth it.

Tonya agreed and said she expressed and believes Tony does understand the nuances and the bureaucratic process we have to go through. Robert restated the recommended action as: Staff is recommending we adopt a motion directing staff and legal council to draft and negotiate a purchase agreement reflective of the terms contained in the revised letter of intent contingent on EDA ratification at a later meeting date.

Terry inquired about the letter of intent. John indicated the letter of intent is a stepping stone and the EDA feels comfortable with where the letter of intent is now and we can move forward with the purchase agreement.

John added it may be possible to delegate authority to approve the purchase agreement to the EDA Chair and Executive Director to help expedite the process if needed. We would need to check with legal.

Robert made a motion to direct staff and legal counsel to draft and negotiate a purchase agreement reflective of the terms contained in the revised letter of intent contingent on EDA ratification at a later meeting date and if permissible, authorize the EDA Chair and Executive Director to execute the purchase agreement without full ratification of the EDA.

The motion was moved by Terry Furlong and seconded by Tim Cole. There was no further discussion. Don Jensen abstained from voting. All others present (4 members) voting "AYE". Motion carried.

Robert added subcategory to this agenda item:

The original intent was we would have a development partner at closing. If we don't have a development partner, we don't have $850K to cover the cost, where will we get that money?

John stated he walked into this process after the letter of intent had already been drafted. Therefore, he assumed the money was there.

Per Tim Cole, we only need 60% up front. Robert agreed and added that would pretty much wipe out the EDA account.

Tonya added there has been conversations at the Port as they serve us and look at this property, they want to make sure there is an exist strategy in place. There have been conversations with the two proposals. One of the developers is eager to invest in our city and has proposed an outright purchase of the property directly. They have been holding off because they want to partner with the city on the project.

John said it should be a question asked of each developer at the special meeting, "How will you get us (the city) out of this?" This question may determine which of the developers will be chosen.

Terry Furlong inquired about the potential GAP in funding and how that would be handled?

Robert stated the need to address each issue as it arises. He didn't want to shut anyone down for raising concerns but recognizes there will be unknown issues along the way and isn't something we can problem solve all in advance and there isn't a lot of value in trying to do so.

Robert stated, staff has direction for the motion. A side note, he asked staff to think about the money and address it at the next meeting. In terms of the earnest money, that is not a concern so we are prepared to go to the next item on the agenda unless anyone has further discussion.

C. Direct staff to seek a Housing Market Study for the Downtown Area

Summary:

John gave a quick run-down of the status. He is still trying to figure out what his purchasing authority is and per the finance director, is pretty limited. Based on what he heard in the last meeting, he felt he had enough information to move forward but because of his limited purchasing authority, he is bringing back to the EDA to make a formal action. The EDA mentioned looking for a generalized housing study that included specific housing types whether they are general occupancy, rental, senior rental with varying degrees of services and occupied attached housing (ie: condominiums and townhomes) - what the market is for these types of housing. John had contacted Mary from Maxfield who has been providing these services the longest in the area. They would be doing the study for the community as a whole rather than location specific. Maxfield has some expertise in commercial market analysis but they are not the experts therefore recommends asking them just to touch on the commercial market without going into great detail.

As John has spoken with potential developers around town, he inquired it they planned to do a site-specific market analysis? The reply was that they would if we proceed we would. John proposed cost sharing on the generalized market study. All developers agreed if it made sense for both parties, they will do that.

John stated that if the EDA wants to get a proposal from Maxfield, he will bring it back next month for action.

Robert suspected the proposal would run approximately $10K to $15K. Adding if the EDA wanted to they could make a motion to approve up to $15K or less, if it is more than that, it should come back to the EDA for review. Robert added the analysis should include the new development Oakdale by Imation. He would also like to find out what the Port Authority's plans are for the Hillcrest area.

Robert Dew made a motion to direct staff to seek a generalized, non-site-specific market analysis proposal from at least one firm that can give us a detailed analysis on housing supply and demand, and a more generalized analysis on commercial retail demand within the city. If an acceptable proposal comes in at $15K or less, the Executive Director can execute the proposal on behalf of the EDA without bringing it back for full review. Don Jensen moved the motion and it was seconded by Terry Furlong. Motion carried as stated above with all present voting AYE. Motion carried.

D. Direct staff to seek "Engagement Letters" for Legal Services related to Tax Increment Financing and Bonding.

Summary:

John previously spoke with Soren Mattick (city attorney) and found Campbell Knutson the legal firm that the EDA and city uses does not work on tax increment financing and bonding. We have utilized Taft Stettinius & Hollister, LLP. For legal advice on these issues in the past. John recommends seeking engagement letters from Taft Stettunius & Hollister, LLP as well as Kennedy and Graven who specializes in this line of work. We would get excellent

service from either firm.
Robert asked if the engagement letters required retainers?
John doesn't think they would. The letters would tell their hourly rate would be. John stated he will bring the same recommendation to the City Council to keep consistency.

Robert made a motion to direct staff to seek engagement letters from the firms Taft Stettunius & Hollister, LLP as well as Kennedy and Graven for representation of the EDA in terms of Tax Increment Financing and Bonding. Terry Furlong moved the motion and was seconded by Don Jensen. Motion carried as stated above with all present voting AYE. Motion carried.

E. Annual Election of Officers

Summary:

Per Robert Dew, the EDA By-Laws require an annual election of officers of the EDA. It only requires election of the Chair and Vice-Chair. The Treasurer and Secretary positions are appointed by the authority. Tonight, we are missing 2 members but we have a quorum and can still do the election or if we want to wait until next month when all parties are present, we can do that as well.
Terry encouraged (if willing) Robert Dew remain Chair and Kevin Fuller as Vice-Chair.
Robert is happy to continue for at least 12 more months and he had previously spoken with Kevin Fuller who is also willing.
Terry Furlong made a motion to re-elect Robert Dew as Chair of the EDA for 2022. Tim Cole moved it and it was seconded by Tom Schifsky. Motion carried as stated above with all present voting AYE. Motion carried.

Terry Furlong moved to re-elect Kevin Fuller as Vice-Chair of the EDA for 2022. it and it was seconded by Don Jensen. Motion carried as stated above with all present voting AYE. Motion carried.
John stated the State Statue and the EDA By-Laws differ on the length of the term of the commissioners but we haven't had enough time yet to process that. Next January, we will come back with a recommendation for a revision to the By-Law.

VIII. Executive Director Report

Summary:

John had a conversation with the developers from JB Vang about the site across the street. John conveyed to them the concerns about architecture. We discussed at length, commercial space there. The desire from the EDA is to have more commercial space than they currently show. They are nervous about the demand for commerical space. John worries that we would be cannibalizing 7th Street with the commercial space in the new location. Whatever commercial goes into the new location, reduces the demand on 7th street. They may not be able to get the type of leases that businesses on 7th may be able to get, therefore, the development would need to subsidize. Personally, John would like to see the commercial space on 7th Street.

Robert stated his point was well taken and what we are doing with the Redevelopment Master Plan address some of this. His overall concern is the EDA needs to try to keep established businesses and new residents here.

Terry added, the Lillie building may also add some additional services that we currently don't have.

Robert just wants to make sure the EDA is thinking about this.

Questions John asked of the EDA: 1) How hard do they want him to keep pushing on the retail space? Per Robert, he recommends using his best judgement. None is not the right answer but Robert is not married to it. He does feel they will be able to find a good use for that space. John stated it is two-fold, the demand and also the fact that commercial space is more parking intensive. 2) Does the EDA want John to court other developers or just continue with JB Vang? Robert stated it is not unreasonable to make it know that we have some parcels that are available for development. If there is interest, we want to talk to them.

IX. Treasurer Report

Summary:

Don stated he met with the finance director to get a few questions answered. He learned the $49K in land is at 2498 7th (FKA: Rite-Price Gas Station) acquired on 10/17/12, $ 4800 in the Miscellaneous account, $3600 of it was utilities related to the Sentinel Building. $8600 in refunded/reimbursement accounts Reimbursement in utility expenses. $10,000 in transfer to

other funds. HRA, EDA and the enterprise funds all transfer to the general levy. The finance director is still looking into how the funds are arrived at.
Per Robert, the 12/31/21 Financial will be included in the report to Council.

X. Chair Report

Summary:

Robert did not attend the last meeting but Don did. Don stated we worked on generalizing some of the areas we got specific about the Oak Hill area and some properties between Margaret and McKnight. Hwy 120 was also briefly discussed but was tabled until after the upcoming meeting with Oakdale, surrounding areas and MN Dot.
Per Robert, he sent out the annual report to the EDA and received some comments back. Robert entertained a motion to make the minor corrections suggested on the annual report, finalize it and forward to the city manager so it can go to council. Terry Furlong seconded the motion. All present voting AYE. Motion passed as stated above.
Robert reviewed the Insurance and there seems to be a number ot things listed in the policy that Robert feels we don’t need and are paying for. John will consult with someone who knows insurance.
Robert inquired about Errors & Omissions coverage or Directors & Officers coverage?
Lisa will ask Jenny to report back to John with information regarding this coverage.

XI. Mayor Report

Summary:

RT has signed a contract thru the end of 2022 to continue to rent the Community Center. Terry will look for direction from the City Manager on how to proceed going forward because the Council decided to keep the facility. We have time now to get a committee together to research options.
Robert stated he feels the city should put the community center in the hands of the EDA. John said it depends on what the function of the building is. If it is to garner rent, it makes sense for the EDA to take it over. If the function is to provide recreational services, it is a city function.

XII. EDA Members Report

None

XIII. Staff Report

None

XIV. Adjournment

Robert made a motion to adjourn the meeting. Tom Cole moved it and Tom Schifsky seconded the Motion.