



Getting to the Groundbreaking

How to Do Development



Overview

- Preparing for success
 - ✓ Planning, policies & tools
- Attracting development & working with developers
- Protecting local resources
- Developing in the City of Duluth
- Developing in the City of Roseville

Preparing for Success

Establish an economic development / redevelopment plan.

- ✓ Helps get staff & policymakers on the same page
- ✓ Provides the foundation for success
- ✓ Ensures you are prepared to act when opportunity arises – flexibility
- ✓ **Sets priorities for limited resources**





Preparing for Success



Adopt policies that establish parameters for public involvement in economic development projects.

- Business subsidy policy (required per MN statutes 116J.993 – 116J.995)
 - ✓ Include additional local goals
- Developer fee policy
- Application for assistance (Information necessary to review request for assistance)
- Other policies based on identified needs



Preparing for Success

- Know the tools that are available to you to help facilitate development
 - ✓ EDA / HRA levy funds
 - ✓ Local revolving loan funds
 - ✓ Tax increment financing
 - ✓ Tax abatement
 - ✓ State & local sources (DEED, county, etc.)

Attracting Development

- Proactive
 - ✓ City-driven developer recruitment
- Reactive
 - ✓ Responding to developer requests
 - ✓ Your plans & polices (*you have these, right?*) are there to help guide & react to these requests





Working with Developers

Whether your process was proactive or reactive, once you have a developer on board, these processes converge.

The developer will make formal application

- Provide the information necessary to determine if project meets local criteria and is feasible
- An escrow fee covers out of pocket costs in analyzing application
- Decide if project can move forward



Working with Developers

- Generally, you are picking a partner, not a project
- Involve elected officials early
- Be prepared to make decisions quickly – avoid the slow “no”
- Clarify the developer’s ask early
- Keep communication lines open
- Set expectations – projects will evolve



Protecting Local Resources

- Review developer's application & financial information to establish appropriate level of public assistance
 - ✓ *pro forma* analysis
- Be sure project qualifies for proposed type of assistance
- Default assistance format is Pay-As-You-Go
- Maximize private sources of funding



Developing in Duluth

February 6, 2020



Disclaimer

Framing the Conversation

- You are here because you want development to happen in your City
- Cities need development/developers (even if they don't always like it)
- Developers would much rather have a City's support than its opposition
- Both parties seek to mitigate risks and achieve specific outcomes
- Things almost invariably take longer than either City staff or Developers want:

We're in it together.



Two Ways a City Gets Involved

1. The City actively solicits developers/development for a specific site and/or project.

or

2. Developers want to do a project and ask the City for assistance.



How Cities Can Get Things Done

Best Practices

Development Process

- 1) Know your City → The Project is proposed
- 2) Do your homework → Both parties conduct due diligence
- 3) Know what you can bring to the table → Developers make their “ask”; City assesses conformance with plans and political support
- 4) Know your process → City assists Developer through approval and entitlement processes

Know Your City: *Project Proposal*

- What does your community want and need?
 - Comprehensive plan
 - Mini-Master Plan/Neighborhood Plan/Small Area Plan
 - Land Use Plan
- What is the City trying to achieve?
 - Know your Administration's and community's priorities:
 - Affordable housing?
 - Improved park infrastructure?
 - Amazon HQ3?
 - Is it still an HQ if there is more than one?



LVED



On June 25, 2018 the Imagine Duluth 2035 Plan was adopted by the City Council.



Do Your Homework: *Due Diligence*

- How does a proposed project fit into City plans and community priorities?*
- What does zoning allow? Should it be updated?
- Is utility infrastructure available?
- Relevant geotechnical information?
- Any known environmental concerns?
- What other development activities are happening in that area?
- Do you have a market study?
 - Shows the need for the project
 - Shows you have put thought into the site and development
- *Note: Sometimes what a City thinks it needs or should have at a certain site is not what the market wants to develop at that site. Adaptability is a virtue.



Know What You Can Bring to the Table: *Negotiation Process*

- What is politically viable?
 - How does your council/board feel about tax abatement or TIF?
 - If their answer is simply “No!”, is there an opportunity to educate on the various tools in your toolbox?
 - Can you bring councilors, commissioners, board members along to support the project?
 - Affordable housing for seniors? Probably.
 - An outdoor gun range in a residential neighborhood...?



Know What You Can Bring to the Table: *Negotiation Process*

- What other resources do you have?
 - Access to grants
 - Do you have capacity to write grants in-house? If not, do you have the budget to hire a third party?
 - Surplus land
 - County, school board, EDA, HRA, etc.
 - Partnerships with higher education
 - Workforce pipeline
 - EX: AAR and LSC



Know Your Process:

Approvals and Administration

- When a developer asks for assistance, what do you do?
 - Do you have a formal application process for assistance?
 - Do you have policies surrounding assistance?
- Who needs to approve the development and assistance request?
 - Administratively
 - Official bodies
- Timelines and deadlines:
 - How long will it take
 - When does it need to be done?

Goal of knowing your process:
Manage expectations and
conserve resources.

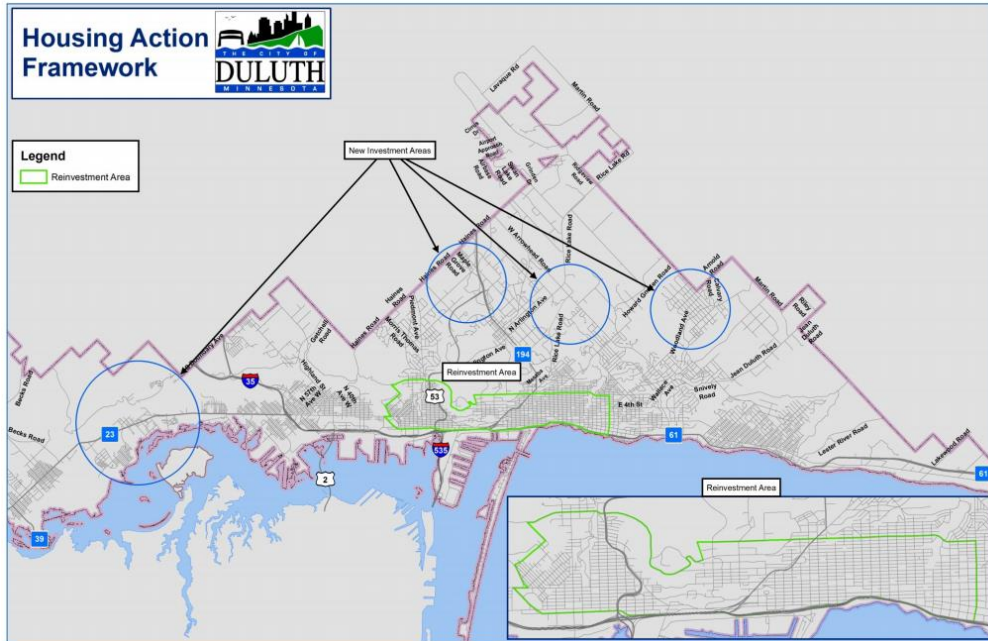


Best Practices in Action: *Board of Trade Redevelopment Project*



- Proposed mixed-use redevelopment
 - 84 units rental housing on floors 3-8
 - Approximately 17,000sf commercial at street levels.

Know Your City



Imagine Duluth 2035 Comprehensive Plan:

- Concentrate current income-eligible rental and homeowner housing rehabilitation programs in this area (in green).
- Encourage *mixed-use housing* options in the commercial district in Lincoln Park, in *Downtown* Duluth, and in East Hillside's 4th Street and Plaza business districts.
- Use City resources such as *tax increment financing* and tax abatement in ways consistent with City policies for housing subsidies, to assist only those housing developments that align with Imagine Duluth 2035 principles and regulations and that contribute to the creation of affordable units.

Know Your Sites



- Board of Trade building damaged in 2016
 - Issues with repairs and insurance claims
- Developer bought the building in 2017
 - Remained partially vacant and blighted
- Underutilized historic building in downtown core
 - Skywalk system connect building to most of the business district
 - Near main bus lines
 - In Duluth's employment center
- No density of market rate or mixed-income housing on this end of downtown


Know What You Are Willing & Able To Do

- Developer asked the City for TIF in 2017
 - City said no: they were pursuing historic and LIHTC
- LIHTC requirements rendered project infeasible
- Meanwhile, Comp Plan finalized in 2018
 - Affordable housing highlighted as priority
- Developer came back to ask for TIF
 - City reassessed project and agreed to assist, contingent upon 20% of units at 50% AMI
 - PLA and Business Subsidy Policy
- City EPA Brownfield Revolving Loan Fund
 - City/EPA wanted to deploy into a project
 - Worked with EPA to draft two different loans to assist project



Know Your Process

- DEDA assistance application process
- Iterative review of pro-forma and financial assumptions with Ehlers
- Approvals required:
 - Planning Commission
 - DEDA
 - City Council
 - EPA
- Last minute realized Developer did not hold community/stakeholder session



Financial Assistance Application

Project Name: _____

Applicant Information

Company Name: _____

Contact Person/Title: _____

Address: _____

City: _____ **State:** _____ **Zip Code:** _____

Office: _____ **Alternate Phone:** _____ **Fax:** _____

Email: _____

Project Information

Project Address and Parcel ID #'s _____

District Type: (place an 'X' on only one type of district)

1) **Redevelopment** (M.S. 469.174, Subd. 10)
Maximum duration: 25 years of tax increments

2) **Housing** (M.S. 469.174, Subd. 11)
Maximum duration: 25 years of tax increments



Concluding Thoughts

Be prepared.

- Discern your priorities and be ready to articulate them.
- Gather as much information about priority-sites as you can.
- Identify your process: what needs doing and who does it.



Concluding Thoughts

Be an advocate.

- If the City is behind the project, make it as easy as possible to say “Yes”, both for developers and elected officials.
- Articulate why this project is important to the community.
 - Point to publicly approved guiding documents.
 - Engage/inform the community on the project to confirm support.
- Make sure the developer and City are on the same page.



Concluding Thoughts

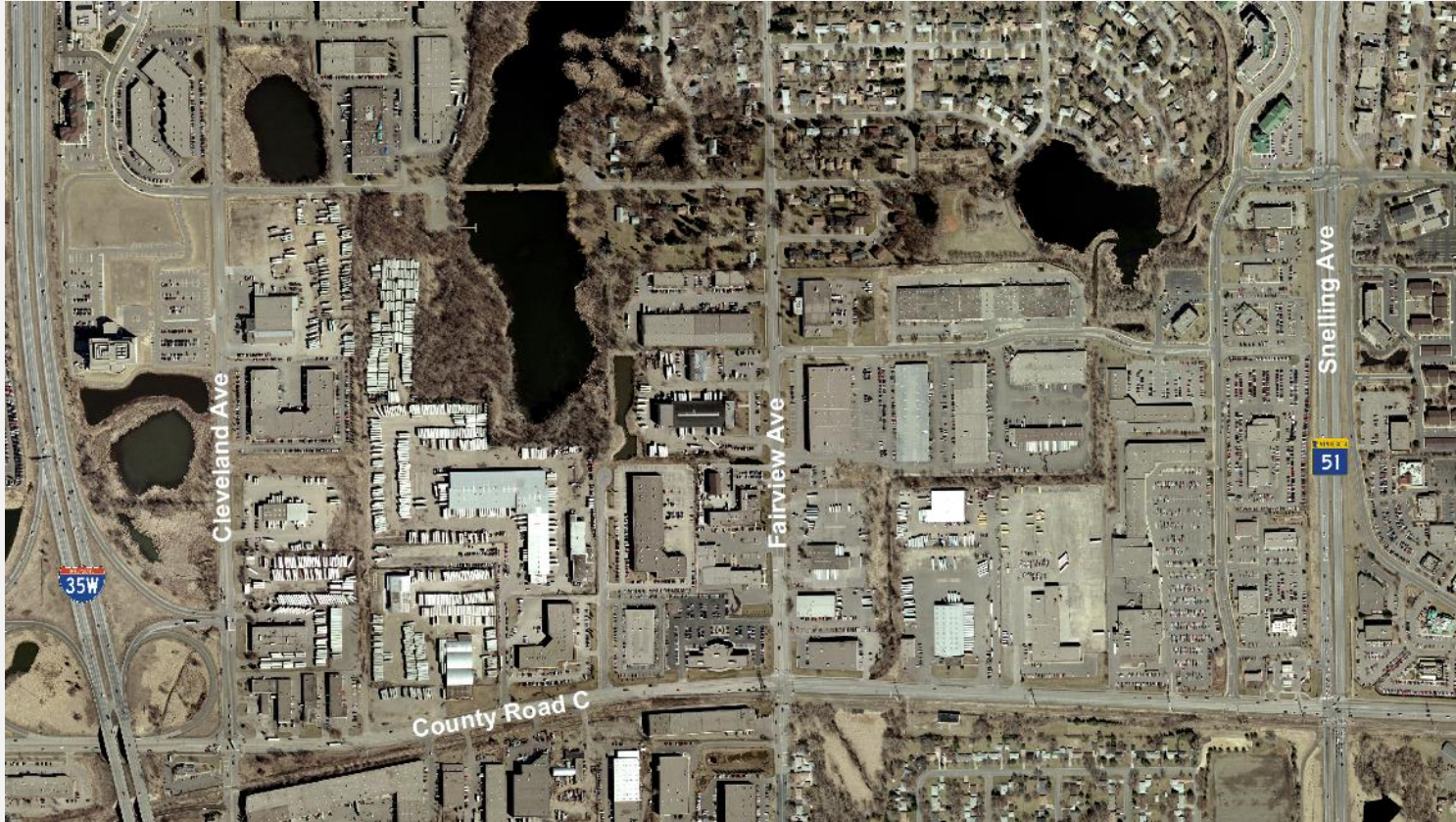
Be honest.

- If there isn't buy-in and likely won't be, be up front about it.
- Layout the public processes and timelines as soon as possible, regardless of how time consuming or complicated

Review Economic Development Strategies

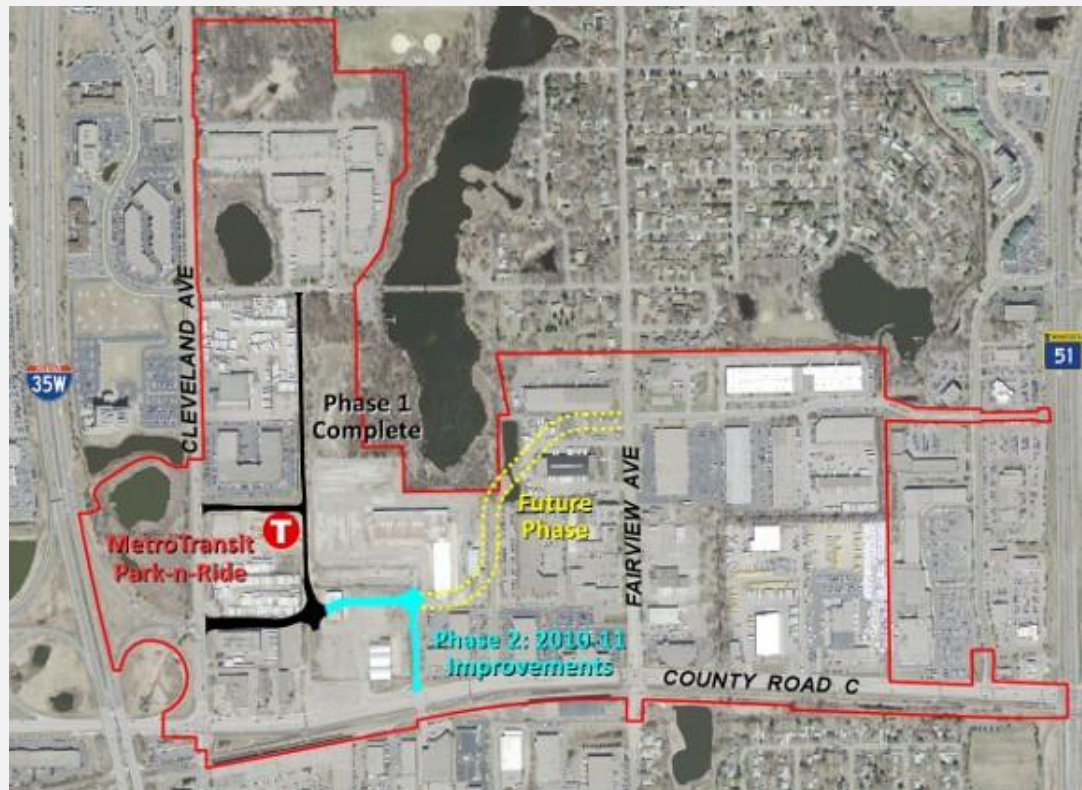
- Where we were: not much happening prior to 2015
 - Financial crisis (2007-09) and slow economic recovery
 - **Reactive** – Letting market decide, responding to projects as they came forward
 - No clear policy – Public Assistance operating under two policies and not widely publicized
 - “Low-hanging fruit” of easier redevelopment sites done by private market: Walmart, Hotels, Aldi, Denny’s, MetroTransit Park-and-Ride
 - Remaining Twin Lakes sites privately-held and not “shovel ready”
 - Only other entity doing Economic Development – HRA (housing)

Twin Lakes Redevelopment Area: 2003



Twin Lakes Redevelopment Area: Building Infrastructure

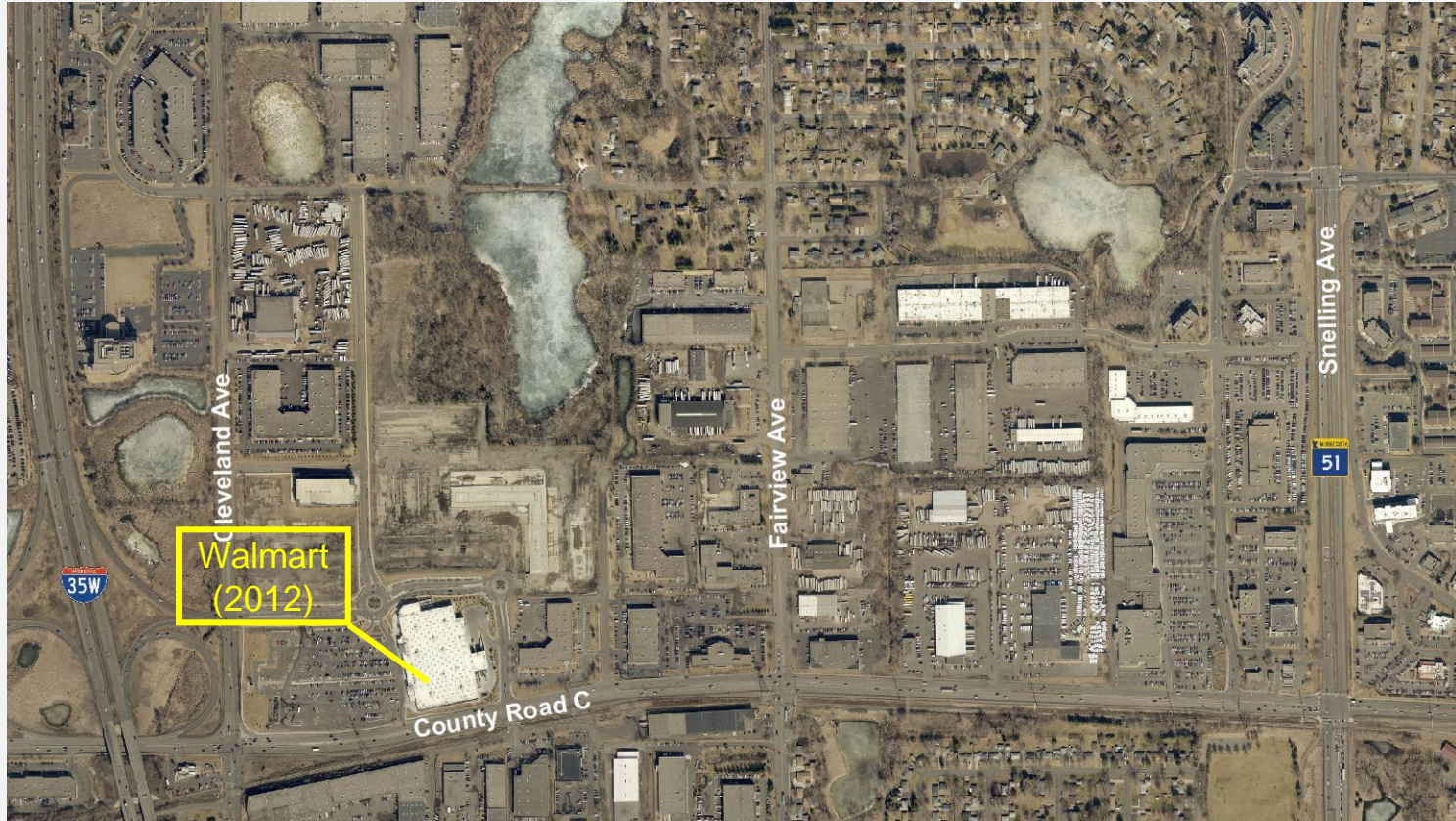
- City updates AUAR in 2007 (future land use)
- DEED, Ramsey County, TIF funds to start Twin Lakes Parkway
- Phase I: western section, roundabout, Mount Ridge Rd in 2009
- Phase II: middle section, 2nd roundabout in 2010-11



Twin Lakes Redevelopment Area: 2011



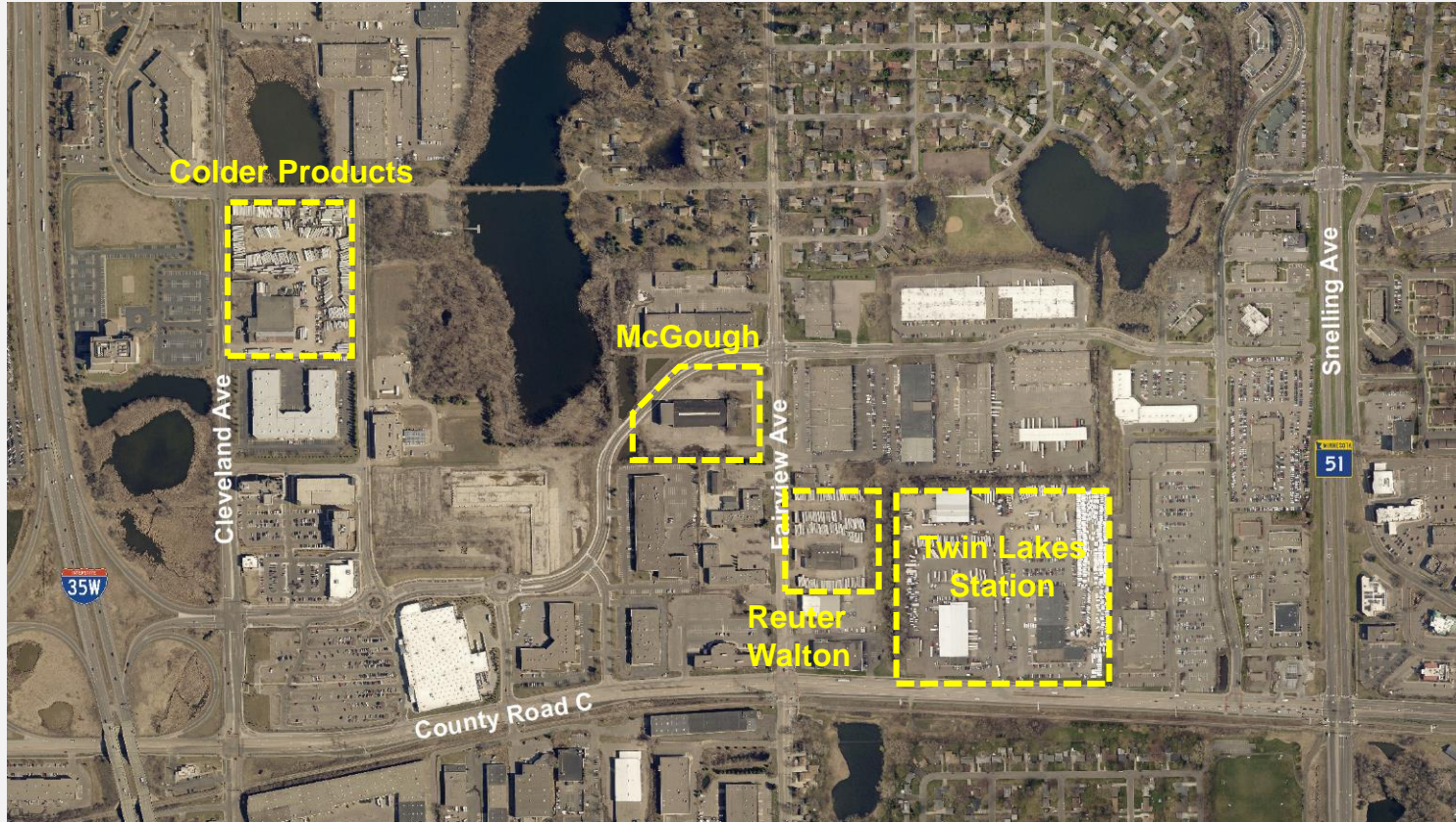
Twin Lakes Redevelopment Area: 2015



Twin Lakes Redevelopment Area: 2017



Twin Lakes Redevelopment Area: 2018



Review Economic Development Strategies

Building the Framework

- Bonding to finish Phase III of infrastructure on Twin Lakes Parkway
- Education of City Council
 - ULI Navigating your Competitive Future
 - “Not on the Radar”
- Economic Development Consultant
 - Create a plan – HRA programs/funds rolled into EDA
 - Dedicated staff to Economic Development (Team)
- Surrounding the EDA with Professional Consultant Team
 - Financial Consultant - create Business Subsidy/Financial Assistance Policy (Vision Statement)
 - Attorney specialized in EDA/HRA (Problem solver)
 - Marketing Economic Development (Putting City on the Radar)
 - GrowRoseville.com
- **Proactively** engaging brokers, developers, and land owners

Before: McGough Site (formerly trucking terminal)



Before: McGough Site (formerly trucking terminal)



Before: McGough Site (inside warehouse)



After: McGough Headquarters (inside former warehouse)



Public Financing: McGough Construction Headquarters

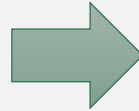


Subsidy

\$17.1 Million total development costs

- EDA assistance \$1.3 million of TIF (26 year term)
- SAC fee waiver
- TIF 17A - HSS environmental funds

(Public Assistance < 9% of Total Costs)



Resulting Project

- Remediated asbestos and soil contamination
- Rehabilitated warehouse into unique open, modern office
- Retained 175 jobs
 - Consolidated 30 from White Bear Lake
- New valuation: \$7.2 million

Before: Colder Product Site (formerly trucking terminal and trailer storage)

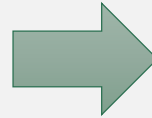


Public Financing: Colder Products Company Headquarters



Subsidy

- \$26 million total development costs
- \$2.2 million of TIF (26 year term)
- Ramsey County Environmental Response Funds
- TIF #17a - HSS environmental funds



Resulting Project

- Cleaned contaminated site
- 135,000 sf office/clean room/assembly
- 350 jobs
- New valuation: \$14.9 million

(Public Assistance < 13% of Total Costs)

Before: Reuter Walton/Tareen Dermatology Site (formerly trucking terminal)



Public Financing: Reuter Walton Apartments/Office



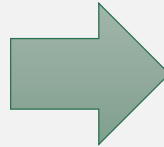
Subsidy

Apartments: \$29 million total development costs

- \$2.9 million of TIF(15 year term)
- City HSS environmental funds
(Public Assistance 12% of Total Costs)

Office: \$13.5 million total development costs

- \$650,000 of TIF(10 year term)
(Public Assistance 5% of Total Development Costs)



Resulting Project

- 117 units of market-rate rental housing
 - *First market-rate rental housing in 30+ years*
- 40,000 sf medical office
- Retain Tareen Dermatology (60 jobs)

Before: Boater's Outlet Site (formerly trucking/storage terminal)



Public Financing: Twin Lakes Station - Mixed Use

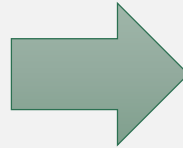


Subsidy

Family/Senior Apartments: \$130 Total Costs

- \$7.4 million of TIF (17 year term)
- Applying for environmental cleanup funds from Met Council, DEED, and Ramsey County

(Public Assistance 7% of total development cost)

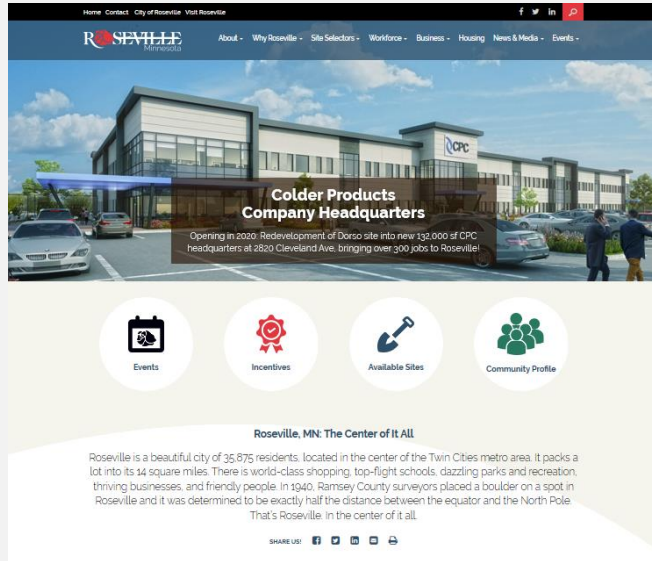


Conceptual Project

- Redevelop under used Boater's Outlet site and environmental cleanup
- 224 units of family affordable rental housing
- 252 units of senior affordable rental housing
- 56,000 sf of retail

Economic Development Marketing

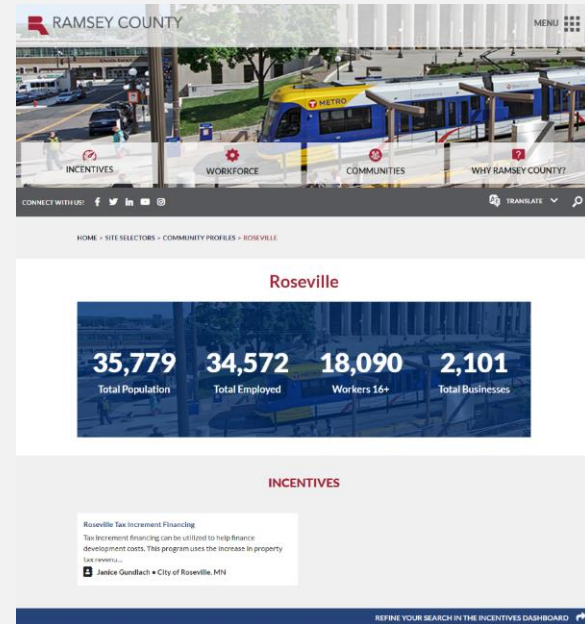
www.GrowRoseville.com



- Business Spotlights: 400-600 word stories, converted into Success Stories
- Ribbon Cuttings/Groundbreakings
- Economic Development news

Ramsey County Economic Development Site

- Local incentives dashboard
- Highlight available development opportunity sites



Rosedale Center: Reinvestment Occurring Naturally

Rosedale Center expansion

- Redevelop Herberger's space
- Decked parking
- Senior and General Occupancy Housing
- Hotel
- Public gathering/event space
- Interior/exterior digital experience
- Development of pad sites on periphery
- Baldamar (upscale steakhouse):
Opened October 2019
- Potluck (replaced Revolution Hall):
Grand Ole Creamery, Smack Shack, Nordic Waffles, Burger Dive, Betty & Earl's, Obachan Noodles, Chicken and Chickpea



Review Economic Development Strategies

- **Lessons Learned:**

- Send clear signals to development community
- Manage TIF districts well
- Remove obstacles to redevelopment
- Leverage other funding sources (i.e. environmental)
- Legislative action
- Support naturally occurring reinvestment — now you're “On the Radar”
- Location and Luck



Your presenters

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