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MEMORANDUM

TO: EDA BOARD
FROM: JOSHUA TETZLAFF, CITY ADMINISTRATOR
SUBJECT: FUTURE EDA ENDEAVORS
DATE: AUGUST 8, 2024

**** This will be a standing agenda item as we discuss the future of the EDA and what we'd like to pursue.****

With the remaining industrial lots pending sale, it is likely that by the end of the year, the EDA will need to be looking at a new endeavor. To that end, I would like to have a discussion as to where the EDA would like to go. Keep in mind, there is no one right or wrong answer. In fact, it is possible, and from my standing even advised, that the EDA should look at two or three projects or areas to consider.

The last eight years have been about developing the industrial park and from what I have been able to gleam, many thought it would develop out much faster than it did. That being said, it is also possible that without those shovel ready industrial lots available at a discount, some local businesses may have expanded or completely moved to other communities who had lots available. So while it took eight years for the lots to finally develop, there has been pay-off on those lots in the form of expanded local businesses and the starting to new businesses.

The following are ideas Ken and I have come up with as directions the EDA could look into. As I stated above, none of these are right/wrong. They are all directions the EDA could look into and have good reasoning for. I would advise trying to tackle two or three areas so as not to pigeon-hole ourselves into just a single venture but to instead diversify and try to tackle multiple issues. These are certainly not the only ideas either. I encourage EDA members to think about other possibilities.

Expand the Industrial Park

It would not be difficult to make an argument for additional industrial park expansion. Without the City offering land, the private sector does not seem interested in developing industrial lots. And without lots, the businesses that are currently in the industrial park would not be there, thus losing out on future tax growth. If history is any indication, we would not fully develop out any sort of expansion for at least five to ten years, but would that future growth in the tax base be worth holding the land?

Anecdotally, staff has heard that available industrial land is drying up quickly in Scott County and that may push other businesses, further out to find space. This could be an opportunity to expand. We'd likely be subsidizing again but I don't think we should have an expectation of making money on industrial lots. It's more about the future play for tax base and employment growth, which indirectly would help with residential growth, than immediate profit on land development.

- August 2023 Update: In June, staff spoke with a representative of the industrial land to the north about what it may look like for the City to purchase the property. The number that the representative

started with was the same price that Brick's Boatworks paid for the property (\$2.29 SF). Staff felt this was extremely high, and the EDA members at the July meeting agreed. Staff will be preparing information to include with a potential future offer that would justify why the amount is significantly less. Staff is also exploring funding options should the EDA decide to move forward.

- January 2024 Update: While staff has had contact with potential purchasers in the remaining three lots, and interest is still high, there has not been a commitment from anyone to move forward. Staff will continue to inquire and keep the EDA updated.
- April 2024 Update: Staff has noticed that the land immediately north of the Industrial Park is officially listed on the market. The current asking price for the land is \$6.4m, which equates to roughly \$1.93SF.

Expand Commercial Development

The EDA does not have to necessarily stick solely with industrial development. There are cities that also look into developing commercial lots for more retail or service type businesses. This is especially seen where the private sector has not done such. In New Prague, there are some commercial lots available but the number is limited. Does the EDA want to explore a more commercial oriented development?

Expand Residential Housing

Another possibility would be for the EDA to get into the housing market. While we have been very job focused, a strong piece of economic development is having people to actually work at the jobs created. To have more available labor, housing is needed. This could take the form of single family housing, attached housing (such as townhomes), or even multifamily housing. In New Prague, we are in need of all of it and the private sector does not seem keen on getting in. Unlike the industrial/commercial development, this could be an opportunity for the EDA to make money for other projects as lots/homes sell.

- May 2023 Update: There has been interest from the private sector in potentially offering assistance through tax abatement to multi-family units. Is this something the EDA would be interested in pursuing?
- June 2024 Update: Staff submitted an application to the MHFA for \$499,999 towards a 54-unit, multifamily in east New Prague. Staff has also been in discussions with the City Council, Le Sueur County officials, and New Prague Area Schools officials about potential tax abatement assistance to make the project happen. In addition to this project, staff has had other multifamily housing projects reach out about potential projects and requesting tax abatement preliminary numbers.

Buildout Industrial Property for Sale/Lease

Something that has been briefly discussed, among staff at least, is the possibility of building a spec building that could be lease/sold off to prospective businesses. Staff has been consistently receiving calls from prospective businesses looking for less than 10,000 SF of space who may not have the desire or capital to build or own themselves. This would be an opportunity to provide for those types of businesses. Doing a project like this could stand on its own or be part of a larger industrial development.

Purchase the Mill Property

Since I arrived, I have heard discussions around the community of what the Mill property could be. Whether it is people who are renovating all of it, a part of it, or taking it to the ground and starting over, there are a lot of thoughts on what that property could be. Ultimately, whoever is owning the property has the biggest say in its use. To that end, maybe the EDA is interested in purchasing the property and having direct control. The last owner purchased the property for \$200k. There are now three owners, as the previous owner sold off 25% of the stake to two others. There is money at the State level for both historic renovations as well as brownfield clearings, which I believe this site would be eligible for. If this is something the EDA is interested in, staff can start those conversations.

Purchase Downtown Property, Improve, and Sell/Lease

The Mill isn't the only property downtown. There is currently property all up and down Main Street. Maybe the EDA is interested in acquiring other property on Main Street for rehab or redevelopment. If some of these properties are historically designated, which some may be eligible for, there is likely money available for some of these projects. The City would then be in a position that it could either work with a private developer or work on the project themselves, and then sell or lease to create capital for future projects.

Purchase Property Surrounding City Center and Redevelop

Just off downtown, and north of the Mill property, is a large two-block area known as City Center. The City owns most of the property, though there are some lots on the west side that are owned by others, and a few businesses along Main Street that are owned by others. This may be an opportunity for the EDA to work with the City to either redevelop what is currently owned, or pursue ownership of additional lots in this area to create a larger, more cohesive project.

- January 2024 Update: Staff continues to explore potential costs associated with acquisition of lots surrounding City Center. City Council has asked staff to explore the cost of a small area plan for the property to give the City a better plan for guidance or marketability. Staff plans to present that to the City Council in late-January/early-February.
- June 2024 Update: Staff continues to work through a small area plan for City Center with MSA (consultant) and the working committee. Also, the City Council has entered into a purchase agreement to purchase one of the two lots on the west side of the lot along the railroad tracks. At this time, the City Council has expressed that they are not interested in pursuing purchasing the second lot along the railroad tracks.

Provide Improvement Funds to Downtown Businesses

Another opportunity for the EDA may be to provide funds for area businesses and property owners to rehab their own properties. This would be the least intensive project the EDA would likely take in as there wouldn't be the same risk as owning property. That being said, it would be completely dependent on property owners wanting to participate. This may be an opportunity to provide for area businesses on top of the EDA doing other projects.

- April 2023 Update: During the March 2023 meeting, the EDA discussed that it did not have much interest in this item due to limited involvement during previous attempts to improve the downtown.

Daycare Assistance

At a recent meeting with fellow administrators across south central Minnesota, one item came up that some EDAs/cities are considering as an economic development tool...daycare assistance. Some of these towns were not looking at daycare assistance in the form of helping families pay for daycare, but instead helping in-home care and care centers become established. The thought was many employees for companies are having trouble finding care for their kids and that if a city can help create more availability, it would help to drive further employment of their citizens.