



ST. FRANCIS ECONOMIC DEVELOPMENT AUTHORITY

St. Francis City Hall, 23340 Cree Street NW

Tuesday, August 22, 2023 at 5:30 PM

MINUTES

1. CALL TO ORDER

Meeting called to order at 5:30 on August 22, 2023

2. ROLL CALL

Present: Brenda Pavelich-Beck, Joe Muelbauer, MaraLynn Kubacki, Michael Rodger, and Sarah Udvig.

Also Present: City Administrator Kate Thunstrom and Community Development Director Colette Baumgardner.

3. APPROVAL OF AGENDA

Motion: Muehlbauer

Second: Pavelich-Beck

Motion Carried: 5-0

4. NEW BUSINESS

A. MOU Proposal for 3731 Property

Community Development Director Baumgardner reviewed the Staff report concerning the MOU from Northshore Development Partners who is interested in all of the properties surrounding the 3731 properties north of the dental office along Bridge Street.

Pavelich-Beck asked if there have been any other inquiries on this property. Baumgardner shared that they have had inquiries before and that they reviewed another proposal at the last meeting in November for this property. She noted that the last developer interested, BlueWaters, did not have a proposal that filled the housing gap as well as Northshore's proposal. She added that she has gotten a lot of phone calls about this property from developers.

Rodger asked if Northshore and BlueWaters are the same. Baumgardner said no and explained that they are two different groups. She noted that BlueWaters is potentially still interested in the commercial properties that the EDA owns along Bridge Street.

Pavelich-Beck asked if there has still been constant communication from BlueWaters about their interest. Baumgardner shared that they are reaching out every few months. She added that the title work on this property is complicated.

Muehlbauer asked if they would still be open for anyone but they are exclusively working with Northshore for the next 180 days. Baumgardner said yes.

Muehlbauer asked when they expected to be able to sell this property. Baumgardner explained that the judicial landmarker process gives the court six months to review the application once it gets to the court. She noted that the application is still at the County. She noted it is friendly to have the County property department look over this first and give their blessing before submitting it to the court with this blessing from both the County and the City. She added that there is not a required timeframe that the County has to get back to the City. She shared that the City attorneys submitted the application two months ago.

Rodger asked if this is something that they can request that the County representatives help push through. Baumgardner said this is not recommended.

Thunstrom explained that the person who would be reviewing this for the County is actually an employee of the State that works at the County level on behalf of a legal title. She noted that this is the process and has been the process for every parcel they have had to make these changes on.

Udvig asked if this process has been rather lengthy for all situations where they have sent it to the County. Thunstrom noted that it took four years to get the east shop site completed.

Udvig stated that they do not want these developers to lose interest in this site and if they have to wait a long period of time they likely will. Baumgardner shared that she has informed the developers of the process that the City is going through and why there is a delay.

Udvig asked if BlueWaters had an MOU when they were interested in this property. Baumgardner said no.

Rodger asked about the first line item on the agreement which states that if the parties do not mutually agree in writing to begin negotiations on a development agreement or a purchase agreement at the end of an exclusivity period then they have 45 days to sign a purchase agreement after the fact. He asked if this means that the developer would get an additional 45 days after the initial 180 days to come up with an agreement. Baumgardner explained that her understanding of this is that the exclusivity period would end at 180 days and they would then have a signed purchase agreement within 45 days of the end of the 180 days. She asked if there was a concern with these additional 45 days. Rodger asked if this is a legality and if they get a different offer after the initial 180 days if the additional 45 days would tie them into the exclusivity.

Kubacki asked how they would handle this if Northshore was doing their thing and another developer came in. She asked if they would start discussions with the other developer while they are still in the process of negotiating with Northshore. Rodger noted that they could not do this until after the 180 days.

Rodger asked if it is just 180 days of exclusivity or 180 days plus the additional 45 days. Baumgardner stated that she is not sure on this as it is not totally clear.

Pavelich-Beck stated they should figure this out.

Udvig explained that the fourth line item in the agreement states that if they have not begun negotiations on terms of the development agreement or purchase agreement for all or any portion of the project, the MOU would automatically terminate at 5:00 p.m. on the last day of the exclusivity period.

Rodger asked if they are looking at using TIF dollars for this. He noted that Northshore has used quite a bit of TIF funding on all of their projects. He asked what they would be looking for in TIF funding. Baumgardner explained that this would come out with the financial models that they put together. She noted that in some of the conversations she has had with Northshore they have said they will put together a report of what they expect the market rates to be and what their anticipated construction costs would be and what that gap would be. She added that they would start this conversation with Staff to ask the best ways to fill the gap. She noted that if TIF dollars were to be used for this then they would need to submit a business subsidy application and the application would then be reviewed by the Council. She stated that they would have to show that they need TIF funding in order to get it. She shared that it is her understanding that St. Francis is a community where it would be potentially challenging to get the rental rates to match the construction costs. She noted that they will be able to look at this in their financial analysis, which they will have during the 180 day period.

Thunstrom explained that a lot of the developers who come in looking for the multi-family and apartment housing buildings tend to be dependent on TIF funding. She shared one of the challenges in renting in St. Francis is that they are in the Minneapolis-St. Paul-Bloomington financial square so when they talk about affordable housing, it is considered market rate housing for St. Francis. She stated that looking at TIF is not putting the City's rents at a level in which they would not be at a market rate level already. She stated that they would not be bringing in a ton of affordable housing that is creating a demographic outside of what they already have in the City. She stated that TIF is a huge component of these multi-family developments and many are not developed without public subsidies.

Baumgardner noted that in the Met Council's 2022 median household income for a family of four is \$124,000 and one of the TIF levels is that you would have to be at 60% AMI. Thunstrom added that St. Francis' demographic is around the 60%.

Rodger stated that as he looks at the apartment building it shows that it has three to four levels. He asked if this puts the Fire Department in need of a ladder truck. Thunstrom noted that with the current mutual and auto aid agreements with the surrounding communities, they would not need to further their fleet for one building such as this.

Pavelich-Beck asked if the Council has ever had discussions about TIF and if this is something that they would be interested in. Muehlbauer explained that they had something go on and they had approved TIF funding at one point. He stated that he would personally not like to see any TIF funding, but he is not against it.

Rodger added that there are many different options for the TIF funding as it could be for infrastructure or lighting and landscaping. He stated that he is also not opposed to this, but is also not encouraging this.

Pavelich-Beck asked about the other funding options and if the developer would apply directly to the State for this. Baumgardner said yes.

Rodger asked if this would be managed solely between the developer and the State. Baumgardner said yes; however, she noted that the applications can be more successful if there is a letter of support from the City.

Thunstrom explained that there is one large scale TIF project that has already been closed out over off of Arrowhead. She stated that when it comes to apartment buildings subsidies are almost guaranteed because the construction is not affordable for the rents that they would be able to collect. She explained that they would test this to see how large the gap is which would help determine how long they are able to receive the TIF funds. She added that TIF is guided by State statute. She stated that TIF is very strict when it comes to the legislative pieces and this project would have to prove to Elhers that they meet all of the qualifications based on State law. She added that there are going to be a lot of people looking for TIF funds based on the current housing market.

Rodger shared he was told that in order for a project for senior assisted living there would have to be TIF money in order for there to be a subsidy for seniors through the State. He asked if this was true. Thunstrom explained that this has to do with affordability. She shared that seniors collect a voucher that is capped so they cannot charge the full rent, which is why they would need the subsidies to bring the gap down as they are not going to be able to get the monthly rent that they need to pay the bills to construct the building. She noted that when there is a targeted group, like the senior population, there is too much of a gap between what they can realistically charge for rent versus the cost of the construction to out up the building. She noted that with the current rates she sees this gap being pretty big due to the high interest rates.

Rodger stated that there is a lot more to the TIF funding than many people realize. Thunstrom explained that it is very complicated and stated that Staff would never try to do something like this in house and they will always request Elhers do the underwriting. She added that the project will pay for the escrow to cover the cost for Elhers. She reiterated that TIF funding is how multi-family housing projects are being built.

Rodger shared that the last newsletter from the County talked about they are working with the other cities in the County; however, St. Francis has not heard anything from the County on how they want to work with this EDA. Baumgardner stated that Staff does talk with the Anoka County Regional Economic Development Group. She shared that Greg with the Anoka County Regional Economic Development Group is interested in coming out and talking to cities and communities in the County, which he has talked about starting this fall. She added that she is inviting Greg to a Council meeting and can also invite him to the next EDA meeting. Rodger stated that he would love to hear what Greg has to say.

Kubacki asked when this building goes up if it is determined how much rents will be full price, section 8, and section 42. Baumgardner stated that this would be discussed during the financing process. She stated that they do not necessarily have to use the sectioned programs if they are doing the TIF financing, they would just have to do their own income verification on the residents.

Rodger asked if there should be earnest money during the 180 day period. Kubacki explained that during the 180 days there is no contract between the parties. She noted

that once they enter into the 45 days where they have to make a purchase agreement then there would be earnest money.

Kubacki asked if the title is not ready on the property when this comes around if there are any financial repercussions to the City. Baumgardner explained that this is addressed in a clause at the end of Section #1.

Rodger shared that he was originally opposed to this before he heard about the title issue. He now noted that it would be foolish to not move into this agreement.

Motion: Rodger
Second: Kubacki
Motion Carried: 5-0

B. Election of Vice President

Nomination for Brenda Pavelich-Beck to be Vice President

Motion: Rodger
Second: Kubacki
Motion Carried: 5-0

5. ADJOURNMENT

Muehlbauer made a motion to adjourn the meeting. Udvig seconded.

There being no further business, Muehlbauer adjourned the EDA at 6:06 p.m.

Jennifer Wida, City Clerk