

**MELROSE AREA DEVELOPMENT AUTHORITY
REGULAR MEETING
THURSDAY, NOVEMBER 10, 2022 – 6:00 A.M.**

AGENDA

1. Call to Order/Roll Call
2. Approval of Agenda
3. Approval of Minutes
4. Presentation
 - a. Granite City Real Estate Partners
5. Reports
 - a. City Administrator Report
 - b. City Planner Report
6. Action Item
 - a. Terms Letter with Granite City Real Estate Partners
7. Old Business
 - a. Pricing for Industrial Park Land
 - b. Terms for Option Agreement in Industrial Park
 - c. Storage Unit Land
 - d. Housing Strategy Update
 - e. Nature Energy
 - .
8. New Business
 - a. Notice of Appointments
 - b. 2023 Meeting Schedule
9. Informational Items
 - a. Next Meeting – December 8, 2022 – 6:00 a.m.
10. Issues of MADA/COC Members and Staff
11. Adjournment

**MELROSE AREA DEVELOPMENT AUTHORITY/
COMMUNITY OPPORTUNITIES COMMITTEE
REGULAR MEETING
THURSDAY, NOVEMBER 10, 2022 – 6:00 A.M.**

A.I. #1 CALL TO ORDER/ROLL CALL

The Melrose Area Development Authority/Community Opportunities Committee (MADA/COC) met in a Regular Meeting on Thursday, November 10, 2022, at 6:00 a.m. at the Melrose City Center pursuant to due notice being given thereof. Present were MADA Members Bob Mayers, Julie Baum, Dave Rahn, Sara Hoffner, Travis Frieler, Mayor Joe Finken, City Administrator Colleen Winter, City Planner Sheila Hellermann. and Traci Ryan with Ryan Consulting LLC. MADA Member Jerome Duevel was absent. There are no active COC members. President Bob Mayers called the meeting to order. Also in attendance was Bob McMannis, Don Meredith with Regency Builders, Mike Bobick, Andy Martin with GC Real Estate Partners, and Isaac Hinnenkamp

A.I. #2 APPROVAL OF AGENDA

A motion was made by Mr. Rahn, seconded by Mr. Travis Frieler and unanimously carried to approve the agenda as submitted.

A.I. #3 APPROVAL OF MINUTES

A motion was made by Mr. Finken, seconded by Mr. Rahn and unanimously carried to approve the minutes from the October 13, 2022, Regular Meeting.

A.I. #4 PRESENTATION

GC Real Estate Partners presented an overview of their multi-family development projects. It is their intent to form a partnership with Mr. Hinnenkamp and other investors to own and manage the multi-family complex, long term. Don Meredith with Regency Builders spoke about previous development projects. Mr. Meredith spoke of the need of the TIF district to finance the project and reviewed the proposed Terms Letter. Mr. Meredith noted this is a market rate project.

A.I. #5 REPORTS

- a. City Administrator Winter provided an update. The ribbon cutting and bridge dedication will be Thursday, November 17th at 4 PM. The WWTF project is moving forward. Ms. Winter reported on the municipal election results. Joe Finken was re-elected as the Mayor, and Travis Frieler was re-elected to the Council. Joeline Wieling was also elected to the Council.
- b. City Planner Sheila Hellermann provided the following update.
At the October 31st Planning & Zoning Commission meeting two public hearings were held. The first was on a Conditional Use Permit from Kwik Trip, Inc. to allow new construction of a convenience grocery store that is operated in conjunction with a motor fuel facility on the U.S. Bank/Melrose State Bank property. A representative from Kwik Trip was here. The CUP was recommended for approval by the P & Z and will be on the November 17th City Council agenda. Since the meeting we have

received emails from MNDOT indicating the right-in, entrance-only off County Road 13 will be permitted. Kwik Trip is working on wetland mitigation issues. Construction is planned to begin in July 2023 and completion is November. In talking with Dean from Kwik Trip, demolition and site prep would begin in spring.

Second was a public hearing on a variance request from Riverside Development Group, LLC on the property next door. Mike Gohman was in attendance from Riverside. The request is for the allowance of eight (8) fewer off-street parking spaces than set forth in Section 501 of the Zoning Ordinance. Based on the plans for the development, 73 off-street parking spaces are required. The variance would allow for the development to proceed with 65 parking spaces. This variance is also being recommended for approval by the City Council on its November 17th meeting. At the October 20th City Council meeting, it authorized completion of the mandatory Environmental Assessment Worksheet. We have already received the first draft of the EAW. That EAW process will hopefully be complete in February.

There was also a discussion at the Planning & Zoning Commission meeting regarding mini storage/self-storage as it relates to the Granite City development on Railroad West. We can discuss that further during Old Business in the agenda.

In other matters, the Parks & Recreation Board has been busy with park planning.

- The bathroom/shower facility is having engineered drawings being completed as well as bid specifications.
- The Melrose Lions are reviewing playground options.
- We are finalizing a Bernick's Family Foundation grant for a basketball court. Our letter of intent was approved, and we were invited to the next round on that grant.

Our Letter of Intent for a Minnesota State Active Transportation Infrastructure Grant for a sidewalk on County Road 168/5th Street NE from 5th Avenue to 11th Avenue – from the intersection until Daylight Court was approved and we were recommended to proceed with a full application. We are working with Stearns County Highway Department on that project. This will be an approximately \$356,000 grant for the City if approved.

The ribbon cutting and bridge dedication will be Thursday, November 17th at 4 PM. All are invited to attend.

A.I. #6 ACTION ITEMS

- a. Consultant Ryan has been working with Granite City Real Estate Partner LLC, for a total of 72 units on the Railroad West property. The negotiated terms letter was reviewed.

Key Points:

1. Includes sale of adjacent out lots (except for storm water out lot)
2. Requires 72 units
3. Land sale of \$16,200/acre – this is based upon cost of land, fees incurred or to be incurred and platting costs
4. Improvement Costs estimated to be \$65,000/acre
5. Payment terms of 80% of land & improvement costs paid at closing with remaining 20% recouped and paid with increments retained by the City
6. Project start 2023 and complete by mid-2024

7. \$30,000 Escrow required to cover legal, consulting, planning and any other related/professional fees
8. Must meet chosen income requirements 20/50 or 40/60
9. 15 years of PAYGO assistance at 90% of Project Increment
10. Developer deposit required to order special transformers
11. Must provide acceptable playground and connection to parks plan
12. Site plan to City by 12/15/2022 so that City Engineer may do specs and bids for spring construction.
13. TIF Note not to exceed 90% of increment over 15 year term (estimated to be \$2,348,204 plus interest not to exceed the Developers rate for borrowing on the project)
14. Improvement bids will not be awarded until there is a signed Purchase Agreement & Development Agreement
15. City to set SAC & WAC fees, including meter and smart point charges not to exceed \$100,000

A motion was made by Mr. Finken, seconded by Ms. Hoffner and unanimously carried recommending Council approve the Terms Letter.

A.I. #7 UNFINISHED BUSINESS

- a. Industrial Park Land Prices— At the last MADA meeting in October there was interest from two parties in purchasing land in the Industrial Park. It was determined that research should be done about what neighboring cities are selling their land for within their industrial parks.

Below is a summary of some of the lots that are being advertised for sale and completed sales information from the Certificate of Real Value filed with the MN Department of Revenue:

Business/Industrial Lot Sales				
	Acreage	Sale Price	Per Acre Price	Land Info
FOR SALE				
Freeport	.8-6	na	\$ 43,560	Industrial Park advertised price; most lots served by improvements
Sauk Centre	20+		\$ 37,250	Industrial Park South - no improvements yet; behind Truckers Inn; Realtor estimate on price
Albany	5.8	\$ 175,000	\$ 30,172	Albany Industrial Park - for sale; improved; along I-94
COMPLETED SALES				
2022	1.85	\$ 39,900.80	\$ 21,568	Sauk Centre; South Industrial Park; unimproved
2022	1.36	\$ 27,000.08	\$ 19,853	Sauk Centre; Moritz; along Beltline; unimproved
2022	5.8	\$ 175,000	\$ 30,172	Albany; Huskie Drive; I-94 Visibility; Improvements up to site
2021	1.88	\$ 80,000	\$ 42,553	Albany; RS Tooling; Industrial Park; fully improved
2021	0.48	\$ 125,000	\$ 60,000	AlbanY Industrial Pak; fully improved
2022	15.35	\$ 728,818	\$ 47,480	St. Cloud Biz Park; 94 & 75 East end of St Cloud; Improved with interstate access
2021	3	\$ 196,020	\$ 65,340	Richmond Biz Park Fully Improved Biz Park, Gilk Plumbing; adjacent to State Hwy 23 (pre development raw land cost - \$6,000/per acre +/-)
2022	4.61	\$ 600,000	\$ 130,152	Fully Improved Biz Park, Dities/Grocery; adjacent to State Hwy 23

A motion was made by Ms. Baum, seconded by Mr. Frieler and unanimously carried recommending the Council establish land prices at \$45,000/per acre for improved

and \$20,000 per acre for unimproved lots (with improvements to be accessed on unimproved lot) within the I-94 Industrial Park with incentives based on project.

- b. At previous meetings there has been discussion regarding an option agreement for a business considering locating in the I-94 Industrial Park. That business has had some other options come up and is concerned about the cost of land and the improvement costs if they were to consider the industrial park. The discussion on land costs above will be timely in establishing a 'sale price' for further discussions. The ball is in their court to further these discussions. The terms discussed at the last meeting would be the same – with the exception that we establish the price as discussed below:

1. 2-year Option to Purchase Lot 4 with 1 year renewable option
 - a. Option Price \$1,500 per year
 - b. Purchase price proposed to be \$20,000 per acre plus special assessment
 - c. Estimated improvement cost \$_____, contingent upon BDPI grant
2. First Right of Refusal on Lot 3
 - a. Term 5 Years Purchase price \$20,000 per acre
 - b. No improvement cost at this time but should improvements be constructed in the future; they would be assessed per city policy less any grant funds received
3. If the City currently rents the property for ag purposes, it would continue to do so until the Option to Purchase was exercised.
4. The City will provide Tax Increment Financing assistance to write down any land/improvement's costs at such a time as the business moves forward with construction – the details to be developed based upon final business development plan.
5. The City will seek any additional assistance available through the State of Minnesota Investment Fund and or Job Creation Fund when and if appropriate.

A motion was made by Mr. Rahn, seconded by Ms. Baum and unanimously carried recommending Council to approve the terms of an option agreement as listed above.

Ms. Baum left the meeting at 7:30 a.m.

- b. At its October 31st Planning & Zoning Commission meeting, the Commission determined that the re-zoning of the Railroad West property which has been purchased by MADA for housing should not include self-storage or mini-storage as an allowed use or permitted by conditional use. Mr. Imdieke is still looking for property. It has been previously discussed by MADA that the I-94 Industrial Park is not an appropriate location. Guidance is sought as to other alternatives. The Planning & Zoning Commission suggested that Mr. Imdieke contact Belgrade Coop. What is the appropriate zoning district for this use?

It was the consensus of MADA to hold a Special Joint Meeting with the Council, MADA, and Planning and Zoning Commission.

- c. Consultant Ryan provided the Board a review of the City's Housing Strategy and update to this point.

Pulling from the adopted Housing Strategy, the below were the identified Outcomes sought to be achieved and the City's progress in accomplishing the Outcomes:

PART ONE

OUTCOME 1 Identifying the most cost effective direction/area(s) to pursue both single family and multi-family housing development based upon land availability/cost, feasibility of constructing public infrastructure, type of housing most appropriate for the identified sites. Either accomplished or in progress – I regularly hear “why was or wasn’t an area considered for housing development...” and it is very likely that the answer relates to the “cost effective” requirement – where the City does not have to leap frog past undevelopable/un-assessable areas to get to what may look like a good housing site.

OUTCOME 2 Considering the cost effectiveness, identify the lots that can begin development as soon as possible and establish a timeline to accomplish. A purchase agreement has been approved to facilitate the construction of 29 Market Rate housing units on the former Kraft Site – construction is anticipated to begin in 2023. A letter of Intent has been signed with Granite City Real Estate Partners and a Terms Letter to facilitate the next steps will be considered by MADA and the City Council this month for the development of up to 72 units of market rate apartments on the Railroad Avenue West property. We are in discussions with a number of developers on additional developments.

OUTCOME 3 Secure options on enough land to accomplish the next five years of anticipated housing growth (50 acres single family & 20 multi-family). We have secured 7.4 of the 20 acres of MF property and 26.71 acres of Single-family property to date. The City has signed a purchase agreement for the CR 168 River Property and progress is being made on the title issues. MADA has purchased the Railroad Avenue West property with the above referenced multifamily development moving forward as well as a potential storage unit project that will support the development. MADA has agreed to not renew the option on the Daylight Court 2 property after bids came in higher than anticipated and water table issues appear to limit what can be built in this area.

OUTCOME 4 Determine City Policy direction on the degree to which it will support future housing development. The City has approved the 2023-2028 Capital Improvement Plan that includes a preliminary path forward for accomplishing multifamily development improvements in 2023 and a number of single family developments in years 2024-2028. CIP, American Recovery Act funds and TIF are resources that are being considered to help offset costs so that the City may move forward with a number of projects.

PART TWO

OUTCOME 5 Identify developers and partners for all housing types. We are currently working with Gohman Construction/Riverside Development Group and are in conversations with private developer(s), Sand Companies, and have had conversations with a number of other builder groups. Until the CR 168 River Property title is resolved, we are in a holding pattern for more single family and senior for sale housing.

OUTCOME 6 Identify financing approach to accomplish the desired outcomes. Based upon the preliminary cost estimates provided by the City Engineer, a very preliminary path to accomplish all of the development proposed to be accomplished on the property that has been secured was outlined in the City's Capital Improvement Plan. As concepts and plans are further refined, the estimated costs will certainly continue to be adjusted and Council direction and approval will only be sought when final costs/plans are determined.

- e. Nature Energy - This project has been discussed extensively over the past several months including presentations by Nature Energy, staff updates and a delegation traveling to Denmark.

The very basic details of the project are:

- The project would be an approximate \$110 Million Investment in Melrose
- Job Creation is estimated to be approximately 14 jobs
- The tax base increase would be approximately \$ unknown at this time
- The project would generate a significant business for trucking companies
- The project would support the surrounding Ag industry
- The project requires a minimum of 25 acres
- The project would utilize significant electrical power
- The business is not asking the City for assistance, rather a Welcome.

Staff (consulting) involvement and the City's support of this project in this effort has recently been called into question and it seems now would be a good time to make MADA and the Council's support clear to the extent that MADA, and the Council at their next meeting, develop consensus on the following questions:

1. Is this an important project to the City?
2. What is the role of JOT, LOL and other related ag industry players?
3. What is the role of the City/MADA in identifying site options?

Ms. Ryan asked if there is any opposition to this project. Mr. Frieler asked if industry supports this project? Mr. Rahn asked has the city reached out to the local industry? Mr. Rahn did express concern on the biosecurity. Ms. Ryan believes that Nature Energy will be contacting the local industries for their support. Ms. Ryan said that Jennie-O Turkey waste is currently under contract and they will not likely be supplying waste to Nature Energy at this time. Ms. Ryan has a purchase option agreement to purchase 100 acres from Landwehr. Mr. Isaac Hinnenkamp would also be willing to sell land. Mr. Rahn and Mr. Frieler supported meeting with Mr. Hinnenkamp, Mr. Landwehr, and Mr. Klaphake to meet and discuss the project with Nature Energy. The Board by consensus supported hosting the meeting.

A.I. #8 NEW BUSINESS

- a. At the Council's first meeting in January 2023 consideration will be given to making appointments to the various boards and commissions. A notice regarding same will be published in the Star Post on October 19 and November 2 informing residents that those interested in seeking appointment should submit their application to the City Clerk by no later than Friday, November 18, 2022. Applications are available at the Melrose City Center. Terms are expiring on the following boards and commissions:

- Public Utilities Commission- One Member (three-year term) Term expiring: Eric Seanger
- Planning and Zoning Commission – One member (four-year term) Term expiring: Shawn Mayers
- Melrose Area Development Authority: One member (six-year term) Term expiring: Jerome Duevel Mr. Duevel is seeking reappointment
- Melrose Parks and Recreation: Two members (three-year term) Term expiring: Craig Schiffler and Joelene Wieling. Craig Schiffler is seeking reappointment.

b. MADA reviewed the 2023 proposed meeting schedule. This will be brought back at the next meeting.

A.I. #9 INFORMATIONAL ITEMS

a. MADA's next regular meeting is scheduled for Thursday, December 8, 2022, at 6:00 a.m.

A.I. #10 ISSUES OF MADA/COC MEMBERS AND STAFF

None

A.I. #10 ADJOURNMENT

A motion was made by Mr. Finken, seconded by Mr. Rahn and unanimously carried to adjourn the meeting at 8:30 a.m.

PATRICIA HAASE – CITY CLERK