MELROSE AREA DEVELOPMENT AUTHORITY/
COMMUNITY OPPORTUNITIES COMMITTEE
REGULAR MEETING
THURSDAY, JANUARY 19, 2023 – 6:00 A.M.

<u>AGENDA</u>

1. Call to Order/Roll Call

2. Oath of Office

3. Election of Officers

4. Approval of Agenda

5. Approval of Minutes

6. Reports
   a. City Planner Report
   b. Development Consultant Report

7. Action Items

8. New Business
   a. Railroad West Zoning
   b. WAC/SAC Fee
   * c. Property Acquisition/Disposition Committee
   * d. Middendorf Purchase Agreement

9. Old Business
   a. Workforce Housing TIF & Abatement
   * b. Industrial Park Sale

10. Informational Items
    a. Next Meeting - February 9, 2023

11. Issues of MADA Members and Staff

12. Adjournment

* Amendment

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REGULAR MEETING
THURSDAY, JANUARY 19, 2023 – 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, January 19, 2023, at 6:00 a.m. at the Melrose City Center pursuant to due notice being given thereof. Present were MADA Members Bob Mayers, Dave Rahn, Travis Frieler, Mayor Joe Finken, City Administrator Colleen Winter, and Development Consultant Traci Ryan, and City Planner Sheila Hellermann. There are no active COC members. MADA Member Jerome Duevel, Julie Baum, and Sara Hoffner were absent. City Administrator Winter called the meeting to order.

A.I. #2 OATH OF OFFICE

Travis Frieler arrived at 6:12 a.m.

At its January 5, 2023, meeting, the Council reappointed Jerome Duevel for a six-year term on MADA and Travis Frieler as the Council representative for a one-year term.

City Administrator Winter administered the Oath of Office to Travis Frieler.

A.I. #3 ELECTION OF OFFICERS

MADA to take action appointing a President, Vice President, and Secretary for 2023. For 2022 Mr. Mayers served as President, Mr. Duevel as Vice President and Ms. Baum as Secretary.

A motion was made by Mr. Finken, seconded by Mr. Rahn and unanimously carried that Mr. Mayers served as President, Mr. Duevel as Vice President and Ms. Baum as Secretary for 2023.

Mr. Mayers chaired the remainder of the meeting.

A.I. #4 APPROVAL OF AGENDA

A motion was made by Mr. Finken, seconded by Mr. Rahn and unanimously carried to approve the agenda as amended.

A.I. #5 APPROVAL OF MINUTES

A motion was made by Mr. Rahn seconded by Mr. Frieler and unanimously carried to approve the minutes from the November 10, 2022, Regular Meeting.

A.I. #6 REPORTS

a. City Planner Hellermann provided the following update:

Regarding Riverside Flats, on the former Kraft lot, the comment period for the Environmental Assessment Worksheet (EAW) has closed and the City's responses have been prepared by WSB. The City Council will review them at their next meeting on January 19th. It is anticipated that construction will begin in March/April. Next step will be plans and specifications, and permit applications from the developer.

Kwik Trip is scheduled to close on the real estate purchase of the former US Bank/Melrose State Bank property this week. It indicated that we will be receiving an application for a demolition permit soon. I have spoken with the architect and an application for a building permit should be forthcoming as well. It has been in contact with Roger, making sure there will be electric service by early July to begin construction. We have also received water service information. The project is scheduled for a December completion and opening.

Regarding the capital improvement plan this summer for Railroad West, and the GC Real Estate Partners project for a 72-unit multi-family housing development, there was a special meeting of the Planning & Zoning Commission on January 9, 2023, to discuss zoning. This will be discussed further under new business.

We have started discussing and putting together a request for proposals for the updating of the comprehensive plan. We plan to have this on the Council agenda at its February meeting. This plan has not been updated since 2011 and there have been significant changes in the City since that time, necessitating a look at the future land map and our goals and policies.

We are working on some ordinance and zoning updates to deal with challenges in Rose Park and other vacant buildings in the City. This includes residential sites as well as commercial areas.

Ms. Hellermann has been attending information sessions on grant availability. We are finding possible alternative funding sources for capital improvement projects that the street, electric, and wastewater departments have planned. There is significant funding coming down in grants resulting from the Infrastructure Investment and Jobs Act (IIJA).

b. Development Consultant Ryan provided the following update:

- In November 2021 at a joint meeting of the City Council, Public Utility Commission and MADA, with all public department heads present, the City Council unanimously adopted the Melrose Housing Strategic Plan.
- The Strategic Plan specifically stated the type and nature of the developments that would be sought to meet the identified needs. Which included:
    - First Time Home Buyer (50% qual. Rate) 119 47
    - Fair Market Rental (workforce) 0 0
    - Gen. Occ. Extremely Low Income Rental 0 0
    - Age 55+ Extremely Low Income Rental 0 0
    - Gen. Occ. Very Low Income Rental 69 27
    - Age 55+ Very Low Income Rental 4 2
    - Gen. Occ. Low Income Rental 170 67
    - Age 55+ Low Income Rental 9 4
    - Gen. Occ. High End Rental 362 142
    - Age 55+ High End Rental 239 94

▪ Senior Congregate Housing	33	13
▪ Senior Assisted Living Housing	14	6
▪ Senior Memory Care Housing	8	4

- The above highlighted types of housing have been the priority of staff in their investigations and discussions with developers.

- In 2022 staff secured over 30 acres of property (Theiler and Middendorf) either through the outright purchase or execution of a purchase agreement, unanimously approved by the City Council.
- Entering 2023:
    - City is poised to see the construction of 101 housing rental units for higher end (Riverside Development) and Workforce (Railroad Avenue West) housing. The final feasibility of the latter will be reviewed upon the receipt of public improvement bids in the spring of 2023.
    - A top priority is to resolve any title issues that may exist on the Middendorf property, replat and secure development interest to develop the property. This may include:
    - Moderate income general or senior for sale single family and or townhomes
    - Be mindful to direct use towards:
        - retaining senior households looking to downsize
        - open up existing homes to attract new residents/labor force participants
        - meet identified housing market demand
    - Initiate effort to develop affordable single family housing rental/ownership development on the two proposed cul de sacs of Railroad Avenue West to meet needs not currently available. Housing programs and organizing participants will be a significant undertaking of time because of the number/coordination of participants, development of partnership relationships, timing of funding applications available to assist this development
    - Work with a developer to secure commitment for a tax credit project in an effort to produce the most affordable unit needs identified in the above
    - Consider development of an “Infill Housing Program” to develop scattered site housing development where the cost to develop is not dramatically impacted due to the presence of existing infrastructure.

It must be understood that all of the Housing Strategy elements were intended to take educated steps towards progress on the goals unanimously adopted in the document. Nothing should suggest that the size, scope, design and more importantly – the cost are final or approved. In recent months, there has been significant momentum lost due to speculation or presumptions. There has also been veiled avoidance to address lower income needs in the community which, if we can bring into the light, can perhaps be better understood for the value and need they contribute to the overall health of the community, employers and policy makers in the community. It is very difficult to make progress on the adopted goals when elements beyond our control or attention are being purveyed instead of being addressed. If additional work sessions, public meetings, education, workshops or other means are needed, your direction would be very welcome.

<u>A.I. #7 ACTION ITEMS</u>

None

A.I. #8 NEW BUSINESS

a. In reviewing the plans for Railroad West, including road planning, right of way, platting, and cost estimates, additional discussions have taken place between Staff and City Engineer. To allow for greater flexibility in road planning, lot sizing, and other ideas within the area, a Planned Unit Development Overlay District (PUD) was considered by the Planning & Zoning Commission at its Special Meeting on January 9, 2023. Preliminary site plan and lot information has been received from GC Real Estate Partners. GC Real Estate Partners indicated it was interested in approximately five (5) acres on the east side of the outlots, leaving two (2) acres on the most westerly side of the Melrose Meadow View area.

   In its meeting, the Planning and Zoning Commission considered the issues of road width, sidewalks, and potential layout of the area. Planning & Zoning Commission determined a PUD is most appropriate for the area, allowing for needed flexibility. However, it determined that the multi-family housing development should be located on the most westerly side of the area, as was discussed in the Housing Strategy. The two (2) open acres would then be placed in the middle of the Planned Unit Development – between the multi-family development and the proposed residential cul-de-sacs. This area would then be available for housing options with less density or a future neighborhood park for the area.

b. The Utility Commission at its January 9, 2023, meeting considered a change to the City's WAC and SAC fees. Staff presented a comparison of other cities for review. We have found, in recent conversations with developers, that our fee structure is considerably less expensive in terms of how we define "unit" as it relates to multi-family projects.

   If we consider a large apartment complex, for example something with 25 units, they have a single service for their building. They would pay for WAC, if building would use 6" service, $5,651, plus the meter fee, rather than $1,000-$1,500 per unit (or $30,000+ in the case of a 25-unit apartment).

   Engineer Blommel, when consulted, pointed out that the fee structures for WAC and SAC vary greatly between cities. Melrose can choose to have low SAC and WAC, or consider a different fee structure, more in line with neighboring cities. After discussion, the Utility Commission determined that our WAC/SAC structure should remain. It asked Staff to ensure that our costs are being covered, but beyond that we would look to monthly user rates and charges. It determined that having very reasonable WAC/SAC fees would be advantageous as developers look to Melrose for potential projects.

c. The city in prior years had a Property Acquisition/Disposition Committee. It consisted of 5 Committee Members, the City Administrator, and Community Development Director. The committee was dissolved sometime in or after 2017. MADA to discuss re-establishing the Committee. City Administrator Winter is recommending that this committee be re-established, and is recommending that a member of MADA be on this committee.

   A motion was made by Mr. Rahn, seconded by Mr. Frieler and unanimously carried to move forward with establishing a Property Acquisition/Disposition Committee.

d. City Administrator Winter stated that City Attorney Dymoke has contacted the city stating that Gary and Eileen Middendorf are requesting that the Purchase Agreement terminated. Ms. Winter noted that how the agreement is written, the Middendorf's can legally cancel the agreement. Ms. Ryan stated that the legal description is tied to a river that moves, which made it difficult to obtain a clear title.

Ms. Ryan disagreed that Middendorf's have legal grounds to cancel the agreement. Mr. Rahn stated that he does not want to have another property owner disgruntled with the city. Ms. Hellermann stated that she believes that we owe Gary and Eileen Middendorf an apology. Mr. Finken suggested that the city pulls out, however requests the First Right of Refusal. Mr. Travis Frieler stated that Mr. and Mrs. Middendorf should be allowed to do what they want with their property.

A motion was made by Mr. Rahn, seconded by Mr. Travis Frieler and unanimously carried to terminate the Purchase Agreement with Mr. and Mrs. Middendorf.

A.I. #9 UNFINISHED BUSINESS

a. Development Consultant Ryan reviewed the requirements of the TIF and Tax Abatement and the request from GC Real Estate Partners.

BACKGROUND

A project qualifies as a workforce housing project under Minnesota Statutes 469.176 Subdivision 4d if:

1. increments from the district are used exclusively to assist in the acquisition of property; construction of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for rental housing developments in the municipality;
2. the governing body of the municipality made the findings for the project required by section 469.175, subdivision 3, paragraph (f); and

Section 469.175, subdivision 3:

(f) Before or at the time of approval of the tax increment financing plan for a district to be used to fund a workforce housing project under section 469.176, subdivision 4c, paragraph (d), the municipality shall make the following findings and set forth in writing the reasons and supporting facts for each determination:

(1) the city is located outside of the metropolitan area, a defined in section 473.121, subdivision 2;

(2)the average vacancy rate for rental housing located in the municipality and in any statutory or home rule charter city located within 15 miles or less of the boundaries of the municipality has been three percent or less for at least the immediately preceding two-year period;

(3)at least one business located in the municipality or within 15 miles of the municipality that employs a minimum of 20 full-time equivalent employees in aggregate has provided a written statement to the municipality indicating that the lack of available rental housing has impeded the ability of the business to recruit and hire employees; and

(4)the municipality and the development authority intend to use increments from the district for the development of rental housing to

serve employees of businesses located in the municipality or surrounding area.

(g) The county auditor may not certify the original tax capacity of an economic development tax increment financing district for a workforce housing project if the request for certification is made after June 30, 2027.

(3) the governing bodies of the county and the school district, following receipt, review, and discussion of the materials required by section 469.175, subdivision 2, for the taxincrement financing district, have each approved the tax increment financing plan, by resolution.

469.175, subdivision 2: *these are the standard findings required by all TIF Districts*

REQUEST

The developer is requesting that Workforce Housing TIF be utilized and because the duration of this type of housing is six years shorter (9 years versus 15 years originally requested), they are requesting that six years of City tax abatement be provided. Tax abatement, in many ways, works similar to TIF. However, no TIF district (which usually costs about $10,000 to establish) or TIF plan is needed. Secondly unlike TIF where cities can unilaterally involve county and school taxes, each taxing jurisdiction must approve the abatement of its portion of taxes in a tax abatement agreement. State Statute 469.1813 provides the basis and guidelines for tax abatement.

The other major difference with tax abatement is that TIF parcels are excluded from a taxing jurisdictions tax capacity calculation. For parcels approved for tax abatement, parcels are still included in the tax capacity calculation for those jurisdictions. Essentially, taxing entities need to include approved abatement payments in a line item of their budget so that the funds are available to reimburse the developer and to still collect 100% of the entity's needed tax levy. Other relevant Abatement requirements:

- As with pay as you go TIF, the property owner/developer pays their real estate taxes as normal and the unit of government makes annual payments to reimburse the developer.
- TIF & Abatement cannot be utilized at the same time – in this request, TIF is being utilized first and Abatement, referred to as 'stacking', would not begin until the TIF District is decertified.
- State Statute limits tax abatement for each political subdivision in any year to not exceed (1) ten percent of the net tax capacity of the political subdivision or (2) $200,000, whichever is greater.
- State Statute limits abatement to 15 years. However, if the County and School District declines participation, it may be increased to 20 years
- There are no income restrictions related to abatement though a City may establish a policy with greater restriction than the law provides. Abatement Statutes do no specifically require restrictions or reporting.
- The unit of government may abate all, the increase or a portion of the increase of the property taxes under statute. In this case, the proposal is to

base abatement payments on the increase in real estate taxes as a result of the development

- Administrative Fee – Statute does not limit the amount of the abatement that can be retained, but similar to TIF, the City could keep a similar 10% of the tax increment for administrative purposes which is proposed in this case
- Abatement is approved by a unit of government through the approval of an Abatement Resolution following a properly noticed public hearing.

A motion was made by Mr. Mayers, seconded by Mr. Rahn and unanimously carried recommending workforce TIF/Abatement with no income limits.

b. The business owner who has expressed interest in the Industrial Park is requesting if there would be a charge for renewing the option agreement, how would TIF be affected, is the price per acre include the wetlands?

<u>A.I. #10 INFORMATIONAL ITEMS</u>

a. MADA's next regular meeting is scheduled for Thursday, February 9, 2023, at 6:00 a.m. The Year In Review will be held on Thursday, February 16, 2023

<u>A.I. #11 ISSUES OF MADA/COC MEMBERS AND STAFF</u>

<u>A.I. #12 ADJOURNMENT</u>

A motion was made by Mr. Rahn seconded by Mr. Travis Frieler and unanimously carried to adjourn the meeting at 7:50 a.m.

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PATRICIA HAASE – CITY CLERK