ROSEMOUNT
MINNESOTA

AGENDA
Port Authority Regular Meeting
Tuesday, October 17, 2023
6:00 PM
Council Chambers, City Hall

1. **CALL TO ORDER/PLEDGE OF ALLEGIANCE**
2. **ADDITIONS OR CORRECTIONS TO AGENDA**
3. **CONSENT AGENDA**
    a. Minutes September 19, 2023
4. **CHAIRPERSON'S REPORT**
5. **REPORTS FROM PORT AUTHORITY COMMISSIONERS**
6. **NEW BUSINESS**
    a. Copper Pint Development Financial Assistance Request
7. **OLD BUSINESS**
    a. Project Updates
8. **DISCUSSION**
9. **DIRECTOR'S REPORT**
10. **COMMUNITY/AUDIENCE RECOGNITION**
11. **ADJOURNMENT**

ROSEMOUNT PORT AUTHORITY
REGULAR MEETING PROCEEDINGS
SEPTEMBER 19, 2023

CALL TO ORDER/PLEDGE OF ALLEGIANCE

Pursuant to due call and notice thereof, a regular meeting of the Rosemount Port Authority was held on Tuesday, September 19, 2023, at 6:00 PM. in Rosemount Council Chambers, 2875 145th Street West.

Chairperson Essler called the meeting to order with Commissioners Weisensel, Freske, Essler, Ober, Beaudette and Klimpel. Commissioner Theisen was absent.

ADDITIONS OR CORRECTIONS TO AGENDA

None

CONSENT AGENDA

Motion by Second by

Motion to approve the consent agenda
Ayes: 6.
Nays: None. Motion Carried.

a. August 15, 2023 Regular Meeting Minutes

CHAIRPERSON'S REPORT

None

REPORTS FROM PORT AUTHORITY COMMISSIONERS

None

NEW BUSINESS

a. Former Speedway Discussion

Economic Development Coordinator, Van Oss, provided an updated on the the former Speedway that went into bankruptcy in 2021 and vacant for less than 3 years. The property reverted back to the lender and was placed in receivership with Lighthouse Management. Their role is to find care for the liability, assets and property etc.

Staff met with Lighthouse Management on September 15th to determine what this means for future review and timelines. Based on this discussion, several steps remain prior to any sale of the property. Lighthouse Management is working to collect new samples for testing in order to comply with the state requirements. The result of this testing will determine whether the state will require additional remediation or issue a closure status. The lender needs to get to the site closure status prior to being able to legally list the site for sale.

Staff will continue to explore the next steps as the project is getting closer to the redevelopment stage. Staff will provide an update once the required testing is completed to comply with state requirements.

OLD BUSINESS

a. Project Updates

Economic Development Coordinator, Van Oss, provided a brief update on the status of current projects.

DISCUSSION

None

DIRECTOR'SREPORT

None

COMMUNITY/AUDIENCE RECOGNITION

None

ADJOURNMENT

There being no further business to come before the Port Authority at the regular council meeting and upon a motion by Essler and a second by Weisensel the meeting was adjourned at 6:52 p.m.

Respectfully submitted,

Erin Fasbender
City Clerk

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EXECUTIVE SUMMARY

Port Authority Regular Meeting: October 17, 2023

AGENDA ITEM:	Copper Pint Development Financial Assistance Request	**AGENDA SECTION:** NEW BUSINESS
PREPARED BY:	Eric Van Oss, Economic Development Coordinator	**AGENDA NO.** 6.a.
ATTACHMENTS:	Financial Request Memo 10-10-23, Spending Plan - Rosemount	**APPROVED BY:** AK, LJM
RECOMMENDED ACTION: Open the public hearing and take public comment. Motion to close the hearing and direct staff to move forward on a Business Subsidy Agreement with Shakopee, LLC.		

BACKGROUND

Staff has been working with Shakopee, LLC (Willy McMoys/Copper Pint) on a new restaurant development near the Life Time project. The project would consist of a 7,500 square foot restaurant with a rooftop patio and banquet area. The Developer requested $500,000 in excess, unobligated tax increment assistance to pay for site improvement costs to offset the high costs of construction. A representative from Shakopee, LLC will be in attendance to brief the Port on the project and answer questions. The City's financial consultant has conducted a financial analysis of the request and will be in attendance to present the findings to the Port. This request is over $250,000 and requires a public hearing per state statute.

In December 2022, the Rosemount Port Authority created a spending plan for the Tax Increment Financing Downtown Brockway District. Under state statute, the spending plan gives the Port temporary authorization to transfer unobligated tax increment to provide financial assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings, which will create or retain jobs in the State. The statute requires private development to commence no later than December 31, 2025. The proposed development by Shakopee, LLC fits within the requirements of the spending plan and aligns with the City's long vision and strategic goals. The Port identified this spending plan as a unique and timely tool the City can use to foster new business growth and investment in the community.

The Port is being asked to hold a public hearing on the request and direct staff to begin work on a Business Subsidy Agreement with Shakopee, LLC. The Port will be asked to approve the final Business Subsidy Agreement at a later date.

RECOMMENDATION

City staff recommends the Port Authority hold a public hearing regarding the request for tax increment financing (TIF) assistance from Willy McCoys of Shakopee, LLC. City staff recommends the Port Authority approve the grant request and direct staff to move forward on a Business Subsidy Agreement with Shakopee, LLC.

MEMORANDUM

TO: Eric Van Oss, Economic Development Coordinator
Adam Kienberger, Community Development Director
FROM: Rebecca Kurtz and Schane Rudlang, Ehlers
DATE: October 10, 2023
SUBJECT: Copper Pint Development Financial Assistance Request (aka Willy McCoys)
SE Corner of Connemara Trail and Akron Ave (PID: 34-58622-00-010)

The City of Rosemount received a request for tax increment financing (TIF) assistance from Willy McCoys of Shakopee, LLC (the "Developer") to facilitate the development of a 7,500 square foot restaurant with a rooftop patio and banquet area in the City of Rosemount. The Developer requested $500,000 in tax increment assistance to pay for site improvement costs to offset the high costs of construction.

The project meets the requirements allowed for the utilization of TIF from the Port Authority's approved Spending Plan authorized by legislation signed into law in 2021 (MN Statute 469.174 Subd. 4n). The authorization to use "Spending Plan TIF" expires on December 31, 2025.

The purpose of this memorandum is to review the request for public assistance based on the financial and market characteristics of the project. Ehlers reviewed the need for assistance by analyzing the developer's sources and uses budget along with construction and financing costs. In addition, we have identified non-tangible aspects of the project, which the Port Authority may consider when reviewing the requested assistance.

Analysis

Generally, this project meets the expectations of a retail project with regards to project costs, financing, and projected revenues. The proposed sources and uses of funds for the project are included below, followed by our findings relating to the analysis of the project:

SOURCES	Amount	Pct.
SBA Financing	5,220,000	74%
TIF	500,000	7%
Equity	1,305,000	19%
TOTAL SOURCES	**7,025,000**	**100%**

USES	Amount	Pct.
Acquisition Costs	1,400,000	20%
Construction Costs	3,650,000	52%
Professional Services	1,935,000	28%
Financing Costs	40,000	1%
TOTAL USES	**7,025,000**	**100%**

- Cost of Construction: The developer intends to build a 7,500 square foot building. With total development costs at $7,025,000, the project costs $937 per square foot. Construction inflation has traditionally outpaced traditional inflation, but the past three years have seen construction inflation outpace the Consumer Price Index by a larger gap. A retail project in 2024 is expected to cost 33.5% more than the same project in 2020. According to the developer, only a portion of these costs can be absorbed with higher food and beverage prices, which also must be weighed against the higher cost of goods such as food and other supplies.

- Source of Funding: The developer is proposing permanent financing for 74% of the project costs and will bring 19% in equity, or approximately $1.3 million. The remainder would be funded through $500,000 in TIF which is 7% of the total cost. This financing structure and equity amount are in line with this type of retail project.

- Financing Rates: Borrowing rates have increased precipitously in the past 18 months, as the Fed has raised the federal funds rate to manage inflation. The developer intends to utilize SBA 504 financing. Current rates for a 20-year SBA loan are around 7.0%. Rates were 2.5% to 3.0% in 2020, and only reached 7% during the 2008 financial crisis. The average rate over the past 19 years was approximately 5.1%. The difference between the current rate and the average rate equates to approximately $70,000 per year of additional interest cost.

- Jobs: The project would create 55 permanent jobs.

Other Considerations

- Area Amenity: The project would be part of the area around the new Lifetime Fitness, a public private, partnership that is intended to bring new amenities to the City. The City has reviewed many development options that could fill the parcels around the new Lifetime, and a new restaurant with a rooftop and banquet facilities would bring the type of amenities to the area that were sought after. The benefit of an amenity such as this is difficult to quantify in a financial analysis.

- Business Subsidy: Providing the Spending Plan TIF funding to the project will require the Port Authority to hold a business subsidy hearing. This is a statutory requirement and has been scheduled for October 17, 2023.

Recommendation

Based on our review of the developer's sources and uses and considering current market conditions, we conclude that assistance in the amount of $500,000 can be justified for this project, and that the proposed development will not reasonably be expected to occur solely through private investment within the reasonably near future. This is due to the increased construction costs, increased costs of labor, increased costs of goods sold, and high borrowing rates.

Please contact us at 651-697-8500 with any questions.

Adopted: November 1, 2022

Rosemount City Council
City of Rosemount,
Dakota County, Minnesota

Spending Plan
Tax Increment Financing Downtown Brockway District

Spending Plan for Tax Increment Financing District

PURPOSE

The Rosemont Port Authority (the "Authority") administers Tax Increment Financing Downtown Brockway District (the "TIF Districts") in the City of Rosemount, Minnesota (the "City"), and proposes to adopt a Spending Plan for the TIF Districts in accordance with Minnesota Statutes, Section 469.176 Subd. 4n (the "Act").

The Act grants the Authority temporary authorization to transfer unobligated tax increment to provide improvements, loans, interest rate subsidies or assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, which will create or retain jobs in the State, including construction jobs, so long as such private development commences no later than December 31, 2025, and would not have commenced before that date without such assistance. Such transfers must be made by resolution, pursuant to the terms of a spending plan approved by the Authority and by the City, following a public hearing of the City Council.

PLAN

The Authority is authorized as follows:

(a) To use available tax increments from the TIF Districts to provide assistance in connection with a private development consisting of the construction or substantial rehabilitation of commercial, industrial, residential and/or mixed-use buildings and ancillary facilities requiring a minimum of $25,000 and no more than $500,000 in financing assistance. Preference will be given to projects on parcels targeted for redevelopment that further the goals set forth in the City's Comprehensive Plan and the City's other strategic planning documents, and which will result in the creation and retention of jobs in the State, including construction jobs.

(b) To amend the budget set forth in the Tax Increment Financing Plans for the Tax Increment Financing Districts as necessary to provide for the assistance authorized by this Spending Plan.

(c) To take any other action necessary and authorized under the Act in connection with the construction or substantial rehabilitation of facilities of the type described in clause (a) above.

The assistance provided pursuant to this Plan shall be subject to Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Law"), if applicable, and shall be subject to the City's Business Subsidy Policy.

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EXECUTIVE SUMMARY

Port Authority Regular Meeting: October 17, 2023

AGENDA ITEM: Project Updates	**AGENDA SECTION:** OLD BUSINESS
PREPARED BY: Eric Van Oss, Economic Development Coordinator	**AGENDA NO.** 7.a.
ATTACHMENTS:	**APPROVED BY:** AK, LJM
RECOMMENDED ACTION: Information Item	

BACKGROUND

Previous discussions with the City Council and Port Authority indicated a desire for more information regarding completion of workplan activities. The following highlights some of the project and economic development activities since the last Port Authority meeting.

<u>**Projects in Progress**</u>

Israelson properties: Staff provided KJ Walk with comments regarding access for a proposed coffee shop. The second commercial building does not have a tenant lined up at this time. Staff asked for an update the week of October 9th, but was not provided any updates by the time of this memo.

Rec Center/Life Time: Staff is working with Life Time on securing buyers for the remaining property surrounding the Rec Center. Currently staff is working with a restaurant user who has entered into a LOI on a portion of the site. This project will be on the agenda for the Port Authority meeting on October 17th. Staff is working with a user on a preliminary concept for a portion of the Lennar-owned parcel.

Super America/Speedway: Staff spoke with the receivership after September's Port meeting. They have relayed the information to the owner and are reassessing the liquidation strategy.

Akron Multifamily: Schafer Richardson will be coming back to the City Council seeking an amendment to their conduit bond financing on October 17th.

Frana: The Frana project is nearing completion and staff is working with the management on a ribbon cutting.

Rosemount Legion: Staff will provide an update regarding a recent meeting with the Legion House Committee.

MNCAR Expo: Staff will be attending the MNCAR Expo on October 25th. Rosemount will again be a bag sponsor and have a booth at the entrance of the event.

DEED Brownfields: Staff will attend the DEED Brownfields conference on October 26th and 27th.

Night on the Town: Night on the Town will take place on November 9th from 5-8pm. The City will be covering the cost of the trolley and some other expenses. Staff is working with the organizers to hold a formal kick-off for the event.

Snowdrift Crossfit: A ribbon cutting will be held for Snowdrift Crossfit on November 2nd at 4pm.

Hypointe Childcare: A new daycare has opened in the former Leaps and Bounds space. Staff is working with the owner on a ribbon cutting.

Rosemount Expo: Staff is beginning to plan the 2024 Expo event. The Port can expect more planning updates in upcoming months.

RFIs: Staff is continuing to work on several RFI proposals for industrial and business park projects.

RECOMMENDATION

None