ROSEMOUNT MINNESOTA

AGENDA
Port Authority Regular Meeting
Tuesday, February 18, 2025
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 of January 21, 2025, Port Authority Meeting
4. **CHAIRPERSON'S REPORT**
5. **REPORTS FROM PORT AUTHORITY COMMISSIONERS**
6. **NEW BUSINESS**
   a. Lucky Lola Coffee Business Subsidy Request
7. **OLD BUSINESS**
   a. Project Updates
8. **DISCUSSION**
9. **ADJOURNMENT**

ROSEMOUNT PORT AUTHORITY
REGULAR MEETING PROCEEDINGS
JANUARY 21, 2025

CALL TO ORDER/PLEDGE OF ALLEGIANCE

Pursuant to due call and notice thereof a regular meeting of the Port Authority Commission was held on Tuesday, January 21, 2025, at 6:00 PM. in Rosemount Council Chambers, 2875 145th Street West.

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

ADDITIONS OR CORRECTIONS TO AGENDA

None.

CONSENT AGENDA

Motion by Essler **Second by Beaudette**

Motion to approve the Consent Agenda

Ayes: 5.

Nays: None. Motion Carried.

a. Minutes of the December 17, 2024 Port Authority meeting

CHAIRPERSON'S REPORT

None.

REPORTS FROM PORT AUTHORITY COMMISSIONERS

None.

NEW BUSINESS

a. Omni Public Hearing

Motion by Theisen **Second by** Beaudette

Motion to approve the Contract for Private Development By and Between Rosemount Port Authority and Riveter Real Estate, LLC.

Ayes: 5.

Nays: None. Motion Carried.

Eric Van Oss, Economic Development Coordinator for the City of Rosemount, reported that Omni Brewing will be using $500K of TIF money to execute an expansion at their current location, including both demolition and new construction.

With no additional developments, Mr. Van Oss is anticipating that this should be to the Planning Commission February 2025. Omni Brewing is planning for a project completion date of October 2025.

Shane, a financial analyst with Ehlers Public Finance Advisors, gave a financial report to the Commission. Omni Brewing has requested $500,000 to assist with building improvement and a 9,500 SF expansion, including a winery and event venue. Omni Brewing will create 2 new jobs employing 25 individuals. The next steps include public hearing for business subsidy, consideration of approval of the assistance, approval of the Development Agreement and that the funds must be spent by December 31, 2025, or they will return as TIF with spending restrictions.

b. Willy McCoy's Amendment to the Contract for Private Development

Motion by Klimpel **Second by** Theisen

Motion to Approve the Amendment to the Contract for Private Development By and Between Rosemount Port Authority and Willy McCoy's of Shakopee, LLC

Ayes: 5.

Nays: None. Motion Carried.

Eric Van Oss concluded the deadline December 31, 2025, for Willy McCoy's to use the TIF funds. He expanded on the entity pursuing a rooftop patio on the north side of the establishment. The upcoming project to begin April 2025 with completion Spring 2026. When Mr. Van Oss was questioned about the delay (50 months) on this development moving forward he explained it was in part to both Willy McCoy's high expectations of promptness and Lifetime's timeline of construction completion. It was also mentioned in regard to the businesses nearby the upcoming Copper Pint, the city is working closely with Lifetime to find an appropriate tenant(s).

Spokesman for Willy McCoy's expressed the excitement of the rooftop patio and their eagerness to proceed on this project. The development costs are expected at $7.025M along with creating 55 jobs.

OLD BUSINESS

a. Project Updates

Commissioner Klimpel inquired about Speedway. Van Oss noted there have been no updates however staff is working proactively with the seller.

Commissioner Essler announced The Clover is closing January 31, 2025. Port Authority Commissioners are reaching out to their contacts regarding interest in a different restaurant coming to town in that space. Mr. Essler also inquired about the previous Toro building. Adam Keinberger, Community Development Director, will connect with them and report back.

Mr. Keinberger announced that Eric Van Oss is winning an award for Emerging Professional of the Year at the upcoming conference EDAM (Economic Development Association of Minnesota) along with the Meta Data Center project winning Project of the Year. Commissioners applauded Eric and Community Development staff on their achievements.

DISCUSSION

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 Theisen the meeting was adjourned at 6:52 p.m.

Respectfully submitted,

Sarah Saunders
Deputy City Clerk

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EXECUTIVE SUMMARY

Port Authority Regular Meeting: February 18, 2025

AGENDA ITEM: Lucky Lola Coffee Business Subsidy Request	**AGENDA SECTION:** NEW BUSINESS
PREPARED BY: Eric Van Oss, Economic Development Coordinator	**AGENDA NO.** 6.a.
ATTACHMENTS: Lucky Lola Coffee Financial Request Memo 2-14-25	**APPROVED BY:** AK
RECOMMENDED ACTION: Motion to approve, amend or reject the grant request and direct staff to move forward with a Business Subsidy Agreement.	

BACKGROUND

Staff has been working with Lucky Lola on a new project adjacent to their existing Rosemount Floral Shop location. This project would take place on a nearby parcel currently owned by Ron Clark Development (The Morrison Apartments). The Developer requested $500,000 in excess, unobligated tax increment assistance (TIF Spending Plan) to pay for site improvement costs to offset the high costs of construction and bring a desirable use to the downtown area. A representative from Lucky Lola will be in attendance to brief the Port on the project proposal 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.

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. In the past year, the Port has approved two business subsidies using this tool. Both were new build restaurant projects, in which the business subsidy represented 20% or less of the total project budget.

The proposed development by Lucky Lola 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. This project represents a new retail development in Downtown which has been an area of strategic focus for the Port.

The Port is being asked to direct staff to begin work on a Business Subsidy Agreement with Lucky Lola Coffee. This request is over $250,000 and requires a public hearing per state statute. The Port will be asked to hold a public hearing on the business subsidy request and approve the final Business Subsidy Agreement at a later date.

RECOMMENDATION

Staff recommends the Port Authority consider approval of the a grant request based on the discussion and review of the financial analysis.

MEMORANDUM

TO: Eric Van Oss, City of Rosemount

FROM: Schane Rudlang, Ehlers

DATE: February 14, 2025

SUBJECT: Lucky Lola Coffee - Financial Assistance Request

The City of Rosemount received a request for tax increment financing ("TIF") from Lucky Lola Coffee and Barista Bar ("Lucky Lola") (the "Developer") to help facilitate a new retail building at 14065 S Robert Trial in Rosemount. The project would be a coffee shop with outdoor patio and a drive through. It anticipated that the project would be complete in 2025.

The Developer requested $500,000 in tax increment assistance to pay for some of the improvements and offset the high costs of construction.

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

Ehlers has reviewed the request for public assistance based on market factors. In addition, this memo identifies other non-financial aspects of the project, which the Authority may consider when reviewing the assistance request.

Analysis

Generally, this project meets the expectations of a retail project with regards to project costs, financing, and operating margins. The proposed sources and uses for the project are shown in the table below, revised to show a 20% TIF Grant, followed by findings related to the analysis.

CONSTRUCTION SOURCES	Amount	Pct.	Per sf
Equity - Owner	$ 160,000	8.8%	$ 58
Equity - Investor	$ 25,000	1.4%	$ 9
First Mortgage	$ 1,272,600	69.8%	$ 464
TIF Grant	$ 364,400	20.0%	$ 133
TOTAL SOURCES	**$ 1,822,000**	**100%**	**$ 665**

CONSTRUCTION EXPENSES	Amount	Pct.	Per sf
Land	$ 250,000	13.7%	$ 91
Building(s)	$ 1,075,000	59.0%	$ 392
Soft Costs	$ 497,000	27.3%	$ 181
TOTAL USES	**$ 1,822,000**	**100%**	**$ 665**

- Cost of Construction: The Developer intends to build an approximately 2,740 square foot retail building. With total development costs at $1,822,000, the project costs $665 per square foot. Construction inflation has traditionally outpaced traditional inflation, but in recent years, construction inflation has outpace the Consumer Price Index by a larger gap. A retail project is expected to cost 37% more than the same project in 2020. Only a portion of these costs can be absorbed with higher food and beverage prices, which also must be weighted against the higher cost of goods such as food and other supplies and increasing labor costs.

- Source of Funding: The Developer is proposing permanent financing (First Mortgage) via a small business loan (SBA), TIF, and will bring 8.8% in equity, or $185,000. SBA financing can be obtained for up to 90% of total project costs. The lower the SBA financing as a percentage of the project, the less risk there is to the lender. Equity requirements for other types of real estate projects typically range from 20-40%. Higher equity increases the owners incentive to make the project succeed.

- Jobs: The project is anticipated to create at 5-12 new jobs.

- Financial performance: Coffee shops (like restaurants) have a high rate of failure. The existence of a drive through will help the project financially. But, it is difficult to determine the profitability of an independent coffee operation, since much of the financial performance will be dependent on customer service and product quality - how good the coffee turns out to be. The project could either perform very well, or fail. Determining the subsidy for such a project tends to rely on assumptions and other considerations discussed herein. If the Developer fails to operate the business profitably, the building will likely be repurposed to another similar use, especially due to the existence of the drive through.

- Subsidy amount: It is not uncommon for communities to finance up to 20% of project costs for a project that meets the goals of a community, area, or plan. Twenty percent would be $364,400. The sources and uses above use this figure.

Other Considerations

- The Developer operates Rosemount Floral, which is just north of the proposed coffee shop. They have not operated a coffee shop before. The lack of business history is noteworthy, but not disqualifying for receiving TIF. However, the lack of experience in the industry creates additional risk.

- Area Amenity: The benefit of an amenity such as this is difficult to quantify in a financial analysis. It will expand the offerings for the Rosemount downtown area, and be an amenity to new housing immediately west of the project.

- Business Subsidy: Providing the Spending Plan TIF to the project will require the Port Authority to hold a business subsidy hearing. This is a statutory requirement.

Recommendation

Based on the review of the Developer's sources and uses, considering current market conditions, and the other consideration, assistance of $364,400 could be justified (20% of project costs). The recommendation is due to the increased construction costs, increased costs of labor, increased costs of goods sold, and current borrowing rates.

Please do not hesitate to reach out to me at 651-697-8527 with questions.

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EXECUTIVE SUMMARY

Port Authority Regular Meeting: February 18, 2025

AGENDA ITEM:	Project Updates	**AGENDA SECTION:** OLD BUSINESS
PREPARED BY:	Eric Van Oss, Economic Development Coordinator	**AGENDA NO.** 7.a.
ATTACHMENTS:	Akron/42 Development Map	**APPROVED BY:** LJM
RECOMMENDED ACTION: None		

BACKGROUND

Akron Retail: Staff would like to use the project updates section to verbally discuss new developments and opportunities within the Akron retail corridor.

Omni: The City received applications for a PUD amendment related to the expansion of the existing winery, which will be considered at the February PC meeting.

The Clover: Staff will give an update on The Clover and outreach to new restaurant users.

Project Falcon: Project Falcon submitted applications for a preliminary plat, final plat, and rezone of a property directly south of the Meta project in UMore, which were approved during January PC meeting. Applications for building and site plan review are anticipated in the upcoming months. Staff is also working with the project team to secure County and State grant funds related to redevelopment and infrastructure activities.

Akron Ridge: The city received an application for a rezone and preliminary plat for 58 townhomes north of the Flint Hills Athletic Fields. This item was continued until the February meeting.

Beirut Restaurant: A ribbon cutting was held on February 10th.

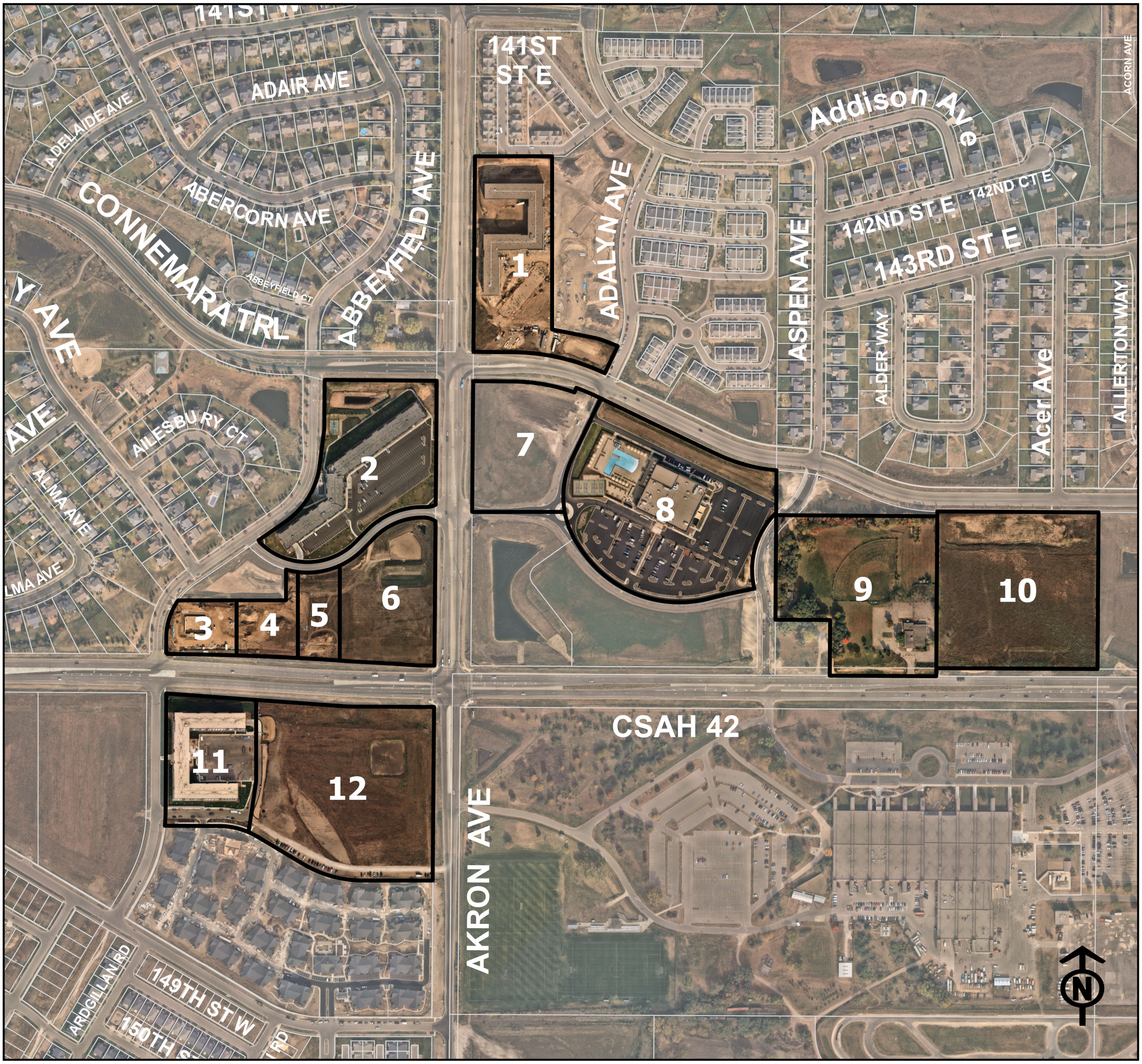
New Horizons Academy: A ribbon cutting is planned for February 27th at 3pm.

EDAM Winter Conference: Staff attended the Economic Development Association of Minnesota's winter conference on January 23 and 24. The City won Project of the Year for Meta and Emerging Professional of the Year.

ULI Panel: Staff was on a site selection panel hosted by the Urban Land Institute on February 5. Other panel participants included MN DEED, Ryan Companies and Hickey Global Site Selection.

RECOMMENDATION

Information item



Akron Projects

Reference	Project
1	The Croft in Rosemount (134 workforce, 160 market rate)
2	The Wicklowe (212 market rate units)
3	First State Bank of Rosemount and Sweet Kneads Bakery
4	First State Bank of Rosemount (Restaurant Site)
5	OTB Childcare
6	Kwik Trip
7	Willy McCoy's
8	Life Time
9	DCTC Mixed Use Site
10	DevCo (192 workforce force units)
11	The Landing (160 workforce units)
12	Amber Fields Retail Site

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2/12/2025

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