

# EAST BETHEL ECONOMIC DEVELOPMENT AUTHORITY MEETING

August 17, 2015

The East Bethel Economic Development Authority (EDA) met for a regular meeting on August 17<sup>th</sup>, 2015 at 7:00 P.M at City Hall.

MEMBERS PRESENT: Dan Butler\* Doug Welter Brian Bezanson  
\* Chairperson Steve Voss Julie Lux

MEMBERS EXCUSED: Brian Mundle John Landwehr

ALSO PRESENT: Colleen Winter, Community Development Director  
Jack Davis, City Administrator

**1. Call to Order** Mr Butler called the Economic Development Authority meeting to order at 7:00 pm.

**2. Adopt Agenda** **Mr Bezanson motioned to adopt the agenda as written. Ms. Lux seconded the motion. All member were in favor; motion carried.**

**3. Approve July 20, 2015 Meeting Minutes** **Mr Bezanson motioned to approve the minutes as written. Mr. Welter seconded; Ms. Lux and Mr. Voss abstained due to their absence from the meeting, all others in favor. Motion carried.**

**4. Business** Mr. Davis reviewed the following information:

## **Recruitment Strategy**

Our efforts to attract new business and industry to the City of East Bethel have been met with mixed success. Since 2013 the City has played a role in the decision of the following to locate in East Bethel:

Aggressive Hydraulics.....52 employees  
North Country Concrete.....76 employees  
Tin Man..... 4 employees  
Cambridge/Isanti Insurance..... 4 employees  
Knowlton's Engines.....4 employees  
Moonshine Whiskey.....20 employees (app.)  
Road Warrior Ink.....4 employees (app.)

In addition to these new businesses, the City has provided varying forms of administrative assistance that have supported the expansion of:

RAK Construction  
Central Wood Products  
George's Boat Sales  
Builders By Design  
Minnesota Fresh Farms

The constraints and obstacles encountered in the pursuit of new business are centered on our small market footprint, a hesitation of developers to proceed with project investments, a saturation of the regional market area with big box and larger scale commercial development and the contraction of growth patterns from strip and node

highway corridor development to redevelopment and infilling of areas closer to the Metro Cities.

Our business recruitment activities have been limited to periodic cold calls, responses to individual inquiries and maintaining contact with DEED, Greater MSP and Anoka County. While we can proceed with the existing practice of solicitation and replies to site selection requests from Greater MSP, we are entering a phase where we need to be more proactive in this endeavor.

Given that the business climate is never static and we are confronted with a different set of development challenges, this is an appropriate time to redefine our actions and efforts that direct our business recruitment activities. The following are central questions that need to be examined:

1. What is the evolutionary pattern for development along a Corridor Highway in an area that is just outside limits of urban growth
2. What types of business are attracted to an outer ring bedroom City whose population growth has slowed
3. What types of business are desirable in terms of the City's long range vision of development
4. What types of business are land intensive and can be easily be converted to higher uses at some point in the future.
5. What is our market area
6. What are our reasonable expectations for commercial and industrial development
7. What are we willing to do make the City more appealing to commercial, residential and industrial developers in terms of City participation in projects.

These are just some of the questions that need to be answered so that we can identify and target those businesses that would find East Bethel an inviting and attractive market and develop a plan to pursue these businesses and policies to assist desirable companies to locate in the City. We are contenders in a highly competitive environment with other North Metro Cities and we need to consider ways to increase our efforts in the area of business recruitment.

Mr. Davis stated that he feels we need to be more proactive and make things happen. He would like to request assistance from Greater MSP and the county and to prepare a plan by the end of the year to target an actively recruit businesses to the community.

Mr. Welter stated that he contacted Timothy O'Neill from DEED and he agreed to help find information to help answer the first two questions about businesses that might be attracted to communities like East Bethel. He also provided some websites to review and Mr. Welter said he has started that process. Mr. O'Neill also put Mr. Welter in touch with Jim Gromberg who is the Business Development Specialist from DEED for the area. Mr. Davis suggested it might be a good idea to have a speaker from DEED present at an EDA meeting.

Mr. Butler brought up an article for discussion from the Minneapolis Star Tribune regarding Tax Increment Financing (TIF). He commented that it seemed like a business could take advantage of the TIF for however long it lasted and then just leave the area. Mr. Davis noted that it can be a very useful tool but that it does preclude any

collection of additional taxes from the business. It does however leverage funds as the County and school districts don't receive any money until the TIF is paid off. East Bethel's first TIF was for Aggressive Hydraulics.

Mr. Butler wondered if the City should have a policy of some kind about TIFs that could be related to businesses interested in coming to East Bethel. It was noted that no other companies interested in coming to the City have shown any interest in a TIF and Ms. Lux stated requests for assistance should be evaluated on a case-by-case basis and that having a written policy about TIFs may discourage businesses who are interested in locating here. Mr. Voss related that a presentation to the City Council supported that same thought process.

Mr. Bezanson explained his experiences with TIF districts referencing Aggressive Hydraulics as an excellent example of the best possible situation where the company has an intrinsic investment in making the company a success in East Bethel and is not likely to pull out once the TIF is paid off. Mr. Davis stated that he agreed with Mr. Bezanson and with Ms. Lux's reference to evaluation on a case-by-case basis. He stated that a business would need to be evaluated based on the amount of investment by the company, what kind of tax base they will create, how many jobs they will provide and if a standard is established, chances are it would need to be changed too often to work with different companies.

Ms. Lux shared a discussion from another meeting she attended where a market update included businesses like Amazon and Shutterfly coming into the area. She reported that a statement was made that Anoka County government has not been willing to match or compete or work to attract any of these businesses. She stated we have the perfect spaces for some of these companies but they do not come here. Ms. Lux suggested having a county commissioner at an EDA meeting to discuss these issues. Mr. Davis stated that it might be appropriate to invite Karen Skepper.

Ms. Winter explained to the members how Scott County went about attracting both Amazon and Shutterfly to their location. Several years ago the communities in Scott County came together and decided to pool their marketing efforts and also participated in a Revolving Loan fund pool that provided them access to funds to attract businesses. They also have the "One Stop Shop", similar to Greater MSP, which has full time staff to assist businesses in finding appropriate locations and funding options, etc.

Ms. Winter also explained that the TIF process has been around for close to 30 yrs and is still a viable tool that can level the playing field for some communities who may not have other options for assisting businesses who require financing. It gives the ability to provide "at or below ground improvements", such as utilities and depending on how it's written, the risk to the City can be very minimal. Ms. Winter stated that she felt it is important for TIF to be part of the discussion for any potential business for the City because it can be a very good way to help the business.

Mr. Welter suggested that it would be a good idea to identify the elements of a strategy plan. He presented the following:

1. Research what kind of businesses to target.

2. Identify spaces, properties that are available for potential businesses.
3. Create/Establish communication plan for contacting target businesses.
4. Identify what types of incentives the City is willing to consider offering to potential businesses. Research what other communities have offered and what has worked for them and decide what East Bethel would like to do.
5. Create a framework for evaluating businesses as far as what the City can/will offer.
6. Identify the impact of County and State forces on any possible decisions made by the City – will they be a help or a hindrance?

Mr. Welter stated he felt it was important to begin with the elements of the plan and then gather the data so that the elements can be detailed. This would provide a roadmap to work from. Mr. Davis stated that he anticipated City Staff would begin gathering the additional information needed based on Mr. Welter's stated elements for presentation to the EDA. He emphasized that this needs to be accomplished in a timely manner. Mr. Butler thanked Mr. Welter for the suggested strategy and offered assistance as needed.

Mr. Voss asked that members and staff keep in mind that things may not be forced on potential businesses. It was also encouraged that those involved keep an open mind regarding the types of businesses that are a good fit for the community. Mr. Davis related a recent inquiry from an Ag Bio Tech company looking for 20 Acres with about 30 employees. He stated these are the kinds of businesses that have been showing interest in the area. Mr. Davis recommended inviting Karen Skepper, Anoka County Director of Community and Governmental Relations and Jim Gromberg from DEED to speak to the EDA members.

The Piwik Analysis for July is at Attachment 5.1.

**6. Metropolitan  
Council  
Environmental  
Services Proposed  
Contract  
Amendment #2**

In November 2009, pursuant to the MET Council Water Resources Policy Plan and City request, the MET Council authorized building an advanced water reclamation plant to serve a portion of the City of East Bethel. A Wastewater Service Agreement between the City and Council was signed in December 2010.

Since approval of the project, City growth projections have failed to meet project expectations. As a result, City tax payers who don't benefit from the service and originally were not expected to pay have been burdened with tax increases for wastewater and water bond debt service. In addition, the City's bond rating and growth potential are at risk if the terms of the current Wastewater Services Agreement are continued.

The City requested financial relief from the MET Council in January 2014. Metro Cities at the request of the MET Council Environmental Services (MCES) formed a stakeholder working group in late 2014 that included seven urban city officials (from St. Paul, Roseville, Andover, Golden Valley, Apple Valley, North St. Paul and Metro Cities) to discuss possible revisions to the Wastewater Service Agreement. The group met six times to address this matter.

As a result of these meetings, it was determined that the proposed East Bethel Sewer Access Charge (SAC) rate would not be required to recover the net costs of the water re-use demonstration part of the project (\$9.5 million) and the SAC loan mechanism

would be capped at \$2 million. The City will be required to pay a \$700 increment in their SAC rate over the urban SAC rate and if the cap is reached, would have to pay off the \$2 million loan at terms agreed upon by all parties.

The proposed changes increase the possibility that the City will not pay the reserve capacity cost intended, by policy, to be paid by their SAC rate payers.

MCES Staff acknowledged that the water reclamation aspects of the plant costs can be fairly characterized as a benefit to the entire region and eliminating the \$9.5 million demonstration costs from the East Bethel cost pool is appropriate.

It was also understood by the MCES staff that the contract, as originally structured, is not working, and if left as is, would create anti-growth pressure on the city, potentially causing uncompetitive rates inhibiting development and creating credit issues. The existing contract recognizes and allows for renegotiation if the growth plan doesn't work, but only in 2046, which is too late to avoid real damage.

The East Bethel City Council rejected a concept proposed by MCES Staff in April 2015 that included continuing the Reserve Capacity Loan. The proposal under consideration was a result of the City's disapproval of the April 2015 offer. The current proposal, with a \$2 million trigger for elimination of the Reserve Capacity Loan and provisions for definitive terms at that point, eliminates the City concern about the uncertainty of renegotiation in later years when different parties would be involved. The City and the MCES Committee have unanimously approved the compromise which includes:

- A \$2M cap on the Reserve Capacity Loan
- The elimination of the Reserve Capacity Loan if and when the \$2M cap is reached
- A \$700 increment in increase the SAC rate and elimination of the 4.9% annual increase in this rate
- A freeze on SAC rates and elimination of the Reserve Capacity Loan Payment if the \$2M RCL is reached
- A continuation of the freeze on SAC rates if the \$2M cap is reached until this amount is equal to the urban SAC rate.

This proposal is scheduled to be considered by MET Council at their August 26, 2015 meeting. It is estimated that acceptance of the proposed contract amendment could save the City in excess of 20 million dollars over the term of the Reserve Capacity Loan.

## **6. Geographic Information Systems Report**

Ms. Winter demonstrated usage of the Geographic Information Systems (GIS) program for the members. The program access is mentioned in the news section of the City website. There will be several other ways to access it throughout the website as it is refined and integrated. Ms. Winter stated the program works much better in Google Chrome and there will be a comment to that effect on the website as well.

Members discussed options for marketing the new tool. Ms. Winter shared the future goal of being able to access the GIS "in the field" so that staff members will have the information at their fingertips and can increase efficiency.

**7. Chamber Report**

Mr. Butler reported the Chamber meeting at Minnesota Fresh Farm went very well with 30-35 attendees. State Rep Tom Hackbarth and Sen Michelle Benson both spoke at the meeting. The next meeting will be in September.

**8. Business Retention and Expansion (BR&E) Update**

Mr Welter reported that the Leadership Team had their interview training today with additional training for the rest of the interviewers scheduled for Sept 9<sup>th</sup> and 17<sup>th</sup>. The Task Force membership is complete though they are looking for more interviewers.

The final application was submitted to the University today and the completed agreement was turned in as well. Mr. Butler noted that the Chamber of Commerce allocated funds for mailings for the program.

**9. City Council Report**

Mr. Voss reported that he was at the Fire Relief meeting and was asked by Troy Lashinski to be invited to be on the agenda for an EDA meeting to provide training for the members. The request met with positive response from the members.

**10. Other Business**

None

**11. Adjournment**

**Mr Bezanson made a motion to adjourn the meeting at 8:20 p.m. Mr. Welter seconded; all in favor, motion carried.**

Submitted by:  
Susan Lori Irons  
Recording Secretary