

EAST BETHEL SPECIAL CITY COUNCIL MEETING

November 22, 2011

The East Bethel City Council met on November 22, 2011 at 6:30 PM for a Special City Council meeting at City Hall.

MEMBERS PRESENT: Bill Boyer Bob DeRoche Richard Lawrence
 Heidi Moegerle Steve Voss

ALSO PRESENT: Jack Davis, City Administrator
 Mark Vierling, City Attorney

Call to Order **The November 22, 2011 Special City Council meeting was called to order by Mayor Lawrence at 6:33 PM.**

Adopt Agenda **Moegerle made a motion to adopt the November 22, 2011 Special City Council Meeting Agenda. DeRoche seconded; all in favor, motion carries.**

Business Davis said staff presented a proposal for a business prospect to City Council at their October
Location 19, 2011 meeting. This business prospect has indicated that they will make a decision on the
Proposal location of their facility by the no later than the end of December 2011. In order to make that
 decision this business needs all the information regarding fees and costs for the East Bethel
 site to compare to a site in Blaine. The following fixed City fees would be charged to the
 prospect:

1) Park Dedication Fees (5% of the assessed value of the property not to exceed \$4,000/acre. The assessed market value of the 15.02 acre is \$117,000 for 2011. This project will utilize approximately 5 acres of the total site. Therefore, the Park Dedication Fee for a 5 acre site subdivided from this parcel would be \$1,947.40 ($5/15.02 \times 117,000 \times 0.05$). Any change in acreage would result in a different amount for the Park Dedication Fee; and

2) Building Permit Fees (to be determined upon submission of plans).

It is projected that the facility that will be constructed by the prospect will be a service repair facility of 60,000 SF and initially employ approximately 60 employees. Based on this information and requirements listed in the MCES SAC Manual, this property would assign 10 SAC (ERU's) units. The total cost for one (1) SAC (ERU) unit is \$17,000. The component costs for the individual SAC (ERU's) units for 2012 is:

MCES SAC fee	\$3,400
City SAC & WAC fees	\$5,600
Lateral Benefit Assessment	<u>\$8,000</u>
Total per unit SAC(ERU) charge	\$17,000

It is recommended that this facility be granted a "business relocation credit" of \$13,400 which would be credited against City fees for this project. The "business relocation credit" would be based on and available to any existing business that moves to the City from a previous location outside of the City of East Bethel and adds a minimum of \$2,000,000 to the tax base.

The costs for the SAC and WAC units would be as follows:

MCES SAC units, 10@ \$3,400	\$34,000
City SAC and WAC units, <u>10@ \$5,600</u>	<u>\$56,000</u>
Total SAC and WAC fees due upon issuance of a building permit	\$90,000

The other component of the City utility cost (SAC/ERU) is the lateral benefit assessment. Each SAC (ERU) unit is also charged \$8,000 per SAC unit for this cost. The cost to the prospect for this charge would be:

Lateral Benefit Assessment Charge, 10@ \$8,000	\$80,000
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Part of the Lateral Benefit Assessment Charge (LBAC) covers street restoration. The proposal the developer is presenting would require no street restoration as there is currently a paved or developed City street fronting the parcel to be developed for the prospect. The street would be built as part of the development plan to access the site and at the expense of the developer. The street restoration charge is 27% of the LBAC (total construction cost less the sewer and water trunk main costs of \$2,879,461/\$769,969 of street restoration costs). Therefore since no street restoration costs will be required for this portion of the project, it is proposed that the developer receive a credit of 27% of his total LBAC which would amount to:

Credit for deduct of street restoration costs from the LBAC	<\$21,600>
(\$80,000 X 0.27 = \$21,600)	

The total City Fees for the developer would be as follows:

Park Dedication Fees (as described above)	\$ 1,947.40
MCES SAC units, 10@ \$3,400	\$34,000.00
City SAC and WAC units, <u>10@ \$5,600</u>	<u>\$56,000.00</u>
Lateral Benefit Assessment Charge, <u>10@ \$8,000</u>	\$80,000.00
<i>Business Relocation Credit</i>	<\$13,400>
Street restoration cost credit	< <u>\$21,600</u> >
Total City Fees Due (NIC building permit fees)	\$136,947.40

It is also recommended by staff that the type of business proposed by the prospect be permitted and is compatible under the current B-3 Zoning that affects this area.

The developer will have approximately 10 acres remaining for future development. It is recommended by staff that SAC assignments for future developments occurring on this property be completed based on the use of the property according to the MCES SAC Manual and fees for these charges be collected at the issuance of building permits for these developments.

As noted above with the following additions:

1. Based on a minimum valuation of \$2,000,000 this business would pay \$17,000 annually in taxes to the city. The current tax liability on this site is approximately \$200 to the City;
2. This project would provide 10 ERU's that would be approximately 13% of 2013

- minimum goal;
3. This project would provide an additional customer that would generate approximately 100,000 gallons of effluent and water use for our new system which is challenged for customers. The addition of new connections is critical to meet our minimum flow requirements and avoid up to a \$150 surcharge on customers if minimum flow requirements can not be attained;
 4. This project would have a multiplier effect on local business with the addition of a new employee base that could access services in the City; and;
 5. The benefits to the City are in excess of the costs the City will forgo in granting SAC relief to the developer.

Staff recommends City Council consider granting the following to the developer as means to be competitive with the City of Blaine in the recruiting of a new business to East Bethel that will employ 60-75 persons and add a minimum of \$2,000,000 to the tax base:

1. Credit \$13,400 to the developer for a business relocation credit;
2. Credit \$21,600 to the developer on his lateral benefit assessment ;
3. Finance the balance of the lateral benefit assessment over a term of 10 to 20 years at an interest rate of 4.5 to 5.5 % through an assessment on the property with the terms and interest rates to be determined by City Council and payment commencing in 2013;
4. Consider the use of property as permissible in the B-3 Zone;
5. Require no payment of ERU charges on the remaining undeveloped portion of this parcel until such time that it is subdivided and/or developed;
6. Require that Ulysses Street, while built to *and meeting* City standards, only be extended to access the proposed site and the undeveloped lot north of Village Bank at the developers expense; and,
7. This offer shall expire in 90 days unless otherwise renewed by City Council.

Davis said also find attached a preliminary site plan. Boyer said he sees it describes a service area, what kind of business is this? Strandlund said it is a hydraulic business. They repair and build cylinders. They have a little bit of walk up business but most is out of state. DeRoche asked where does this business sit on the site? Strandlund said we have not gotten to that point. He said we are trying to get competitive with Blaine, but Blaine does not want them to leave. Strandlund said they would like to move north and we are trying to make it make sense to move to East Bethel. DeRoche said he is trying to determine where the building would be and the driveway. He asked what about the traffic on the road? Will the road be able to handle the traffic? Strandlund said when he developed this the road was built to 9 ton plus.

Voss asked him if he has done any long range planning on this parcel? Strandlund said not in depth. He said he would be selling them six acres and that would leave nine acres. Strandlund said he has had some interest from a funeral home. About every six months he gets a call. He said that would be located just north of the bank. Voss said but the site is fifteen acres and the business isn't taking all fifteen. Strandlund said they would only be taking 6 acres. Boyer asked you would only be selling them six acres? Strandlund said yes, and he would extend Ulysses and would put in a cul-de-sac. Voss asked not a permanent one? He said you made a comment that they would develop on the northern part of this site. Voss asked is this their proposed site or is this their whole site? Strandlund said yes, this is their whole site. Voss said so, they would have the road frontage. Boyer said he is not

inclined to make you build a cul-de-sac as long as there is the right of way there. Moegerle said it says cul-de-sacs shall not be longer than 500 feet in our code. She said right here it is clearly longer than 500 feet.

Lawrence asked is there a chance the road goes east and west in the future. Davis said there was the intent to do that. He said there is a utility easement on the north side. Boyer said this says there is a 33 foot easement on the west. Davis said to the north of this property we don't have anything and it is wet. Moegerle said it says the number of employees is 60-75. Do they have 60 employees when they open their doors. Strandlund said right now they have 55 and they occupy 45,000 square feet. Moegerle said so the 60 would be basically when they open their doors. Strandlund said we are laying it out to expand to 100,000 square feet. Moegerle asked when would they expand to 75 employees. Strandlund said he cannot answer that. Moegerle asked when could they open their doors if we approve this. Strandlund said next spring.

Moegerle said she understands that originally this 15 acre parcel was assigned 45 ERUs and this figure is largely how we make this system a success. She asked do you have any idea how we got 45 ERUs off your parcel? Davis said this was figured at 800 gallons an acre. Moegerle asked then shouldn't there be more ERUs assigned to some other lots? DeRoche asked where does Met Council get their numbers? Davis said from over a number of years. Strandlund said he has seen some 2 1/2 acre lots that are assigned 2 ERUs. He said the number must be picked out of the sky. Strandlund said there are some vacant lots on Ulysses that are 6 acres and are 6 ERUs. DeRoche asked is it all commercial or are they looking at residential or they throwing it all in a hat and saying this is what we are going to do? DeRoche asked are you aware of any paperwork that shows how they came to that number? He asked for this 45 to work, how did they figure this, besides the 800 gallons? Or is just a blanket figure? Davis said when the final uses come in it may be 25 ERUs. He said say for the balance of this property a funeral home goes in and it is 5 ERUs, we may end up with 20-30 range for this parcel. Strandlund said this whole parcel has been interesting since planning stage.

Davis said it is not listed in any of Bolton and Menk reports or Schunicht's report how they are collected. He said we have to collect these at the issuance of building permits so we can keep current with our bond payment. Voss asked you are assuming that Met Council fees are less than what they had earmarked for this parcel? Davis said he thinks the ERU designations came from an engineer, but he used the SAC manual. He said there is no way to know until this happens. DeRoche asked where did the \$17,000 come from? Davis said it is the SAC, WAC and Lateral Benefit Assessment charges. He said there may not be any certain magic in that number. Voss said that is what we talked about in the past, depending on how fast things go. Boyer said if you take an example of a car lot in the sewer district, it may get 2 ERUs out of whole thing and use up 40 acres of land. He said it is all use driven. Moegerle said we should have a minimum idea of what we are looking at. Voss said that parcel was always intended to have more intensive use. He said we had proposals for grocery stores, long term discussions open up the possibilities. Voss said it could be a three story office building. Moegerle said when she does long term projections on her income she doesn't maximize. Boyer said they didn't use the maximum. He said think of how many ERUs you could get if you had an apartment building on there.

Lawrence said he has a question on Buchanan Street. Will that be developed as a full street? Davis said it is planned for a future extension. DeRoche asked about the one going through

the back over there. Davis said it would go to Buchanan. Lawrence asked how much traffic will they have from large trucks? Strandlund said they expect two a day, one with a large trailer. Voss asked will it be a common carrier? Strandlund said yes. Moegerle said one time you indicated that there is a minimum of 200 feet for road frontage. Can you tell me where to find that? Davis said the street frontage won't be hard to meet. Voss asked you had two weeks to bring it up with staff and ask and didn't.

Davis said he will contact Schmidt and find out what the rational is for the ERUs. He said but they are always going to be a moving target.

Moegerle said she thought we had a discussion that 10 years would be the maximum for financing. Strandlund said 10 years would be fine. Davis said interest rate is 1% over the bond rate and our bond rate is 3.5%.

Boyer made a motion to approve the offer as follows for recruiting a new business to East Bethel that will employ 60-75 persons and add a minimum of \$2,000,000 to the tax base: 1) Credit \$13,400 to the developer for a business relocation credit; 2) Credit \$21,600 to the developer on his lateral benefit assessment; 3) Finance the balance of the lateral benefit assessment over a term of 10 years at an interest rate of 4.5 to 5.5 % through an assessment on the property with the terms and interest rates to be determined by City Council and payment commencing in 2013; 3) Consider the use of property as permissible in the B-3 Zone; 4) Require no payment of ERU charges on the remaining undeveloped portion of this parcel until such time that it is subdivided and/or developed; 5) Require that Ulysses Street, while built to *and meeting* City standards, only be extended to access the proposed site and the undeveloped lot north of Village Bank at the developers expense; and, 6) This offer shall expire in 90 days unless otherwise renewed by City Council. Lawrence seconded; all in favor, motion carries.

Our Saviour's
Lutheran
Church Water
& Sewer
Hook Up

Davis explained that Our Saviors Lutheran Church (OSLC) has approached the City and has made a preliminary request to connect the City's water and sewer system. This extension would connect to the City system on Viking Boulevard and extend south along the GRE power line to a point inside the church property just south of Crooked Brook (see attached site plan).

Staff has met with representatives from the church and developed the following proposal for the connection:

- 1) The church would be assigned 7 ERU's based on the MCES determination;
- 2) The cost of the extension (approximately 950' of water and gravity sewer) is estimated at \$271,052;
- 3) The church would be responsible for obtaining the necessary easements for the project at their expense; and,
- 4) The church would grant the City utility easement for the future construction of water line to service Jackson Street.

The cost for the project would be broken down as follows:

Construction Cost (see attached estimate)	\$271,052
MCES SAC fees, 7@\$3,400	\$ 23,800
City SAC and WAC fees, 7 @\$5,600	\$ 39,200

Lateral Benefit Assessment Charge, 7 @\$8,000	<u>\$ 56,000</u>	
Lateral Benefit Assessment Credit*	<u>< \$15,120 ></u>	
Subtotal Municipal Utilities Charges	\$103,880	<u>\$103,880</u>
Estimated Project Cost		<u>\$374,932</u>

* 27% of the Lateral Benefit Assessment Charge is for street restoration. As there will be no street restoration costs associated with this project it is recommended that this portion of the charge be credited against the fees for the church.

The church has requested that the City finance the construction portion of the project in the amount of \$271,052. The balance of the 2010 A & B bonds of approximately 4 million dollars could be used to finance this extension. The church has requested that this be financed over a 20 year period which also corresponds with the life of the bonds. The church has also requested that the lateral benefit assessment charge of \$40,880 (\$56,000 less \$15,120) be financed over a term as approved by City Council. The following could be the financing plan for the project subject to Council approval:

<u>Fee</u>	<u>Term</u>	<u>Annual Cost</u>	<u>Total</u>
MCES SAC fees	Immediate	\$0	\$23,800
City SAC and WAC fees	Immediate	\$0	\$39,200
Lateral Benefit Assessment	10 yrs. @ 5%	\$5,294.15	\$53,378.27
Construction Costs	20 yrs. @ 5.5%	\$22,681.45	\$458,814.78

The above plan would require:

- 1) The church pay \$63,000 for all SAC and WAC fees upon issuance of a building permit for the project;
- 2) The church pay the Lateral Benefit Assessment of \$40,880 over a ten years at 5% or at other terms as approved by City Council, and*
- 3) The church pay the estimated costs of construction of 271,052 over a 20 years at 5.5% or at other terms as approved by City Council*.

This would require the church to pay \$63,000 in upfront costs for fees and enable the church to finance \$311,932 for the balance of the cost.

Financing terms for the City would only be offered if financing was not available from local banks. The rates and terms above are only a representation for discussion of this item.

There is one other component of the estimated construction cost that could affect the structure of the estimates. The 200' of 24" water and sewer main that is listed in the estimate will be an extension of the MCES system and at some point in the future be a part of the MCES trunk system. This extension is necessary for the church to connect to the system at the most efficient intersection with an MCES terminal manhole. If the extension is not built the church would be required to obtain additional right of way, add two more manholes and install an unknown quantity of pipe. The City has submitted a request to MCES asking that MCES pay for this portion of the project. The total cost of the MCES portion of the project is approximately \$40,000. If MCES would pay for this extension then the construction cost estimate would be reduced to \$231,052 and amortization schedules would change accordingly. Fee costs would remain unchanged.

If MCES does not participate in paying for the extension an agreement should be completed with MCES that specifies that the City would be reimbursed/compensated for this section of the trunk line at that point in time when the MCES trunk line is extended. As of 1 PM on Monday, we have received no notice from MCES as to their intentions in this matter.

As noted above for the financing implications of the project the extension of water and sewer service to the church would open up the potential for development for the 51.5 acre church campus. The church has plans for a 40-60 unit senior housing project and there is the possibility of the expansion of existing church building and the addition of an expanded preschool program and facilities which would add to the City's ability to meet its ERU mandates.

Staff recommends the approval of the extension of the water and gravity sewer service to Our Saviors Lutheran Church with financing sources, terms and conditions to be approved by City Council.

Boyer made a motion to approve the extension of water and sewer service to Our Saviors Lutheran Church at 19001 Jackson Street with the following conditions: 1) The church pay \$63,000 for all SAC and WAC fees upon issuance of a building permit for the project; 2) The church pay the Lateral Benefit Assessment of \$40,880 over a ten year period at 5% or at other terms as approved by City Council, and; 2) The church pay the estimated costs of construction of 271,052 over a 20 years at 5.5% or at other terms as approved by City Council. *This would require the church to pay \$63,000 in upfront costs for fees and enable the church to finance \$311,932 for the balance of the cost. * Financing terms from the City would only be offered if financing was not available from local banks. The rates and terms above are only a representation for discussion of this item. Lawrence seconded.

Vierling said the concept he brought up with the City Administrator is that we would need a development agreement drawn up and then we would need to come back with this and have it be approved by City Council. He said frequently when you have special assessment financing you get the first two years prepaid in either a letter of credit or some type of financial arrangement set up so that everybody knows what is coming up for them in the future. DeRoche said he doesn't know that it is a good idea for the city to be in the banking business. Davis said when they checked on a loan at the bank, the interest rate was 7.5%. He said he was surprised at how much the interest rate was.

Boyer said he is more than willing to work with the church if they are doing senior housing. He said he is somewhat inclined to work as a banker if we are doing senior housing for the social good of having senior housing for our residents. Boyer said because he doesn't see a great deal of distinction between public and private. Voss said along those lines, he understands the technical parts of this. He said it makes it sounds like if the church didn't have to finance it, they would be paying for it and buying it themselves. Davis said you can view it that way, but there is potential for service in this area. Voss asked who owns the line? Davis said it will be owned by the city. He said one thing that changed this and we didn't get in there was we originally talked about this as a force main type project, lift station, but when you add the lift station cost in here they become equal. Davis said the city would rather do a gravity line and the costs are pretty much the same. Voss asked this would be city owned? Davis said he would propose it to be city owned.

Voss asked why would church pay for the whole line. Strandlund said because couldn't the church just wait for the line to come by them. Voss said if the church had to leap over to get that line, there should be some kind of recapture here if it is a city owned line. Davis said it was viewed as a single user, but they could make the case for it. Voss asked what size pipe is it? Davis said eight (8) inch. Boyer said that is why we are trying to see if MCES would pay for. Davis said we are going to request an easement so we can bring the line over on Jackson so we can request hookups in the future. Davis said we are asking for a utility easement so we can run a future water line. Davis said an easement for 200 feet goes all the way up to the substation. DeRoche asked Strandlund about the senior housing. Strandlund said they have talked to quite a few developers and there is a possibility. Voss said he still wants to come back to the fact of why is this going to be a private line. He said part of that comes in to the south. Davis said we initially looked at this as a force main, and then looked at it as a gravity center. He said it would be much cheaper to add other users on this, such as the Anderson property.

Boyer withdrew his motion.

Davis said he thinks the most important thing on this project is to give Mr. Strandlund something to bring back to the congregation to make their decision. He said they have to fix their fire suppression service. Voss said on your write up you asked for approval. Moegerle said her thought is they need to look for their own financing. Boyer said he would not want to go 20 years on the financing. Moegerle said she agrees. A ten year term might be okay. Voss said why aren't we building this and financing it and then assessing it back. Boyer said speaking personally he is not comfortable doing this. He said in terms of putting the package together, he would be okay, if there was senior housing involved, he would be more inclined to work with them. Boyer said he also doesn't feel like we have enough information to make a decision here. He said such as we don't know what MCES is going to do here. Strandlund said you are going to get connections, this is a fairly small investment. Boyer said as Moegerle said staff can continue discussions with them.

Lawrence said first, we should see if MCES will pay for this stretch of pipe. He said and we need to know how much the church is willing to put as a down payment on this project. Strandlund said just paying for the ERUs is a big down payment. DeRoche said let's continue discussions, don't tell staff to shut this down. Strandlund said if you tell me what information you are looking for we can get it to you. Boyer asked what is the cost of a holding tank. Strandlund said the rough cost of a holding tank is \$70,000. Moegerle asked will 10 years financing work? Vierling said maybe Council should find out if they are okay with posted security for at least two years of the payment, to guarantee payment.

Council consensus was to continue discussions with Our Saviour's Church.

Adjourn

Boyer made a motion to adjourn at 7:48 PM. Voss seconded; all in favor, motion carries.

Attest:

Wendy Warren
Deputy City Clerk