

City of East Bethel

City Council Agenda

Work Session

**Immediately Following Adjournment of Regularly
Scheduled City Council Meeting**

Date: November 16, 2011



Item

- 1.0 Call to Order**
- 2.0 Adopt Agenda**
- 3.0 Discuss Business Prospect**
- 4.0 Adjourn**



City of East Bethel City Council Agenda Information

Date:

November 16, 2011

Agenda Item Number:

3.0

Agenda Item:

Business Location Proposal

Requested Action:

Consider the approval of conditions of an offer to attract a service based business to the City

Background Information:

Staff presented a proposal for a business prospect to City Council at their October 19, 2011 meeting. This business prospect has indicated that they will make a decision on the 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 x 117,000 x 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 assigned 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 reduction of one (1) City SAC and WAC unit thus bring the total to 10 SAC units due for payment to MCES and 9 SAC & WAC units payable to the City of East Bethel upon issuance of a building permit. The costs for the SAC and WAC units would be as follows:

MCES SAC units, 10@ \$3,400	\$34,000
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City SAC and WAC units, 9@ \$5,600	<u>\$50,400</u>
Total SAC and WAC fees due upon issuance of a building permit	\$84,400

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, 9@ \$8,000	\$72,000
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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 no 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 developers expense. 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	<\$19,521>
(<u>\$72,000 X 0.27 = \$19,521</u>)	

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, 9@ \$5,600	\$50,400.00
Lateral Benefit Assessment Charge, 9@ \$8,000	\$72,000.00
Street restoration cost credit	<u><\$19,521></u>
Total City Fees Due (NIC building permit fees)	\$138,826.40

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.

Attachment(s):

1. Project Map
2. October 19, 2011 Work Session Minutes

Fiscal Impact:

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 MCES 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.

Recommendation(s):

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. Reduce the current projected SAC(ERU) assignment by 1;
2. Credit \$19,521 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 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.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____