



**City of Newport
City Council Minutes
November 3, 2016**

1. CALL TO ORDER

Mayor Geraghty called the meeting to order at 5:30 P.M.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

Council Present – Tim Geraghty; Tom Ingemann; Bill Sumner; Tracy Rahm (via telephone); Dan Lund

Council Absent –

Staff Present – Deb Hill, City Administrator; Bruce Hanson, Supt. of Public Works; Renee Eisenbeisz, Assistant to the City Administrator; Fritz Knaak, City Attorney; Jon Herdegen, City Engineer; Sherri Buss, TKDA Planner

Staff Absent - Steve Wiley, Fire Chief; Larry Osterman, Sergeant;

4. ADOPT AGENDA

Motion by Sumner, seconded by Rahm, to adopt the Agenda as presented. With 5 Ayes, 0 Nays, the motion carried.

5. ADOPT CONSENT AGENDA

Motion by Sumner, seconded by Rahm, to approve the Consent Agenda as presented, which includes the following items:

- A. Minutes of the October 20, 2016 Regular City Council Meeting
- B. List of Bills in the Amount of \$181,945.48
- C. Gambling Permit

With 5 Ayes, 0 Nays, the motion carried.

6. VISITORS PRESENTATIONS/PETITIONS/CORRESPONDENCE

Pauline Schottmuller, 97 10th Street - I watched the County public hearing on November 1st on the TIF district. Councilman Rahm was there and spoke and Councilman Lund was there and spoke. They were there as representatives of Newport, as council members of my city. Councilman Rahm conducted himself in a gentleman fashion and I appreciate that. Not so much with Councilman Lund, when he spoke at the podium, he was confrontational and hostile and bludgeoned the Commissioners with his comments. Towards the end of the meeting, from the back of the room, he yelled at them and had to be gavelled. There are people from all over Washington County watching this. How many black eyes are we going to allow Newport to get because of his behavior? I'm asking the Council to censure Councilman Lund for his impolite and embarrassing behavior.

Paul Hansen, 1925 10th Avenue - First of all, I want to say bologna to the censure. Secondly, I know everyone in this room is aware of the campaign finance reports that we have to do. This is available on the City's website and it's most interesting. The most interesting one is from Mr. Chapdelaine, \$4,000 to get a \$3,800 / year job. This doesn't make sense and what makes less sense is where this money came from. We've got plumbers, engineers, pipefitters, painters, electrical workers, teamsters, carpenters, sheetmetal workers. What do they have to do with Newport? Are there future contracts involved?

7. MAYOR'S REPORT -

Mayor Geraghty - I have been working with the CDA and the joint powers agreement amendment.

8. COUNCIL REPORTS

Councilman Lund - I attended the November 1st meeting. I had a positive conversation with the Commissioners and they delayed their vote until November 8th.

Councilman Sumner - Nothing to report.

Councilman Ingemann - Nothing to report.

Councilman Rahm - I also attended the November 1st meeting and the Red Rock Corridor meeting open house. I thought that went very well and think it's a very good thing for Newport to have a transit station here.

9. ADMINISTRATOR'S REPORT

A. Ordinance No. 2016-9 - Amending Sections 1330 and 1350 and Amending the Zoning Map

Sherri Buss, TKDA Planner, presented on this item as outlined in the November 3, 2016 City Council packet.

Councilman Rahm - I was looking through the uses, are tank farms allowed?

Ms. Buss - No, they're only allowed in the industrial storage district.

Councilman Rahm - But they're not listed as not allowed.

Ms. Buss - If it's not listed, they're not allowed.

Councilman Rahm - I'm concerned that over time, they'll try to put storage tanks there.

Ms. Buss - They would need to request a rezoning for I-S.

Councilman Rahm - How much has this impacted our finances?

Admin. Hill - About \$40,000.

Councilman Rahm - Can we establish the tax rates?

Admin. Hill - No the County does.

Ms. Buss - The rate for commercial is 3-4 times more.

Admin. Hill - The difference will be about \$16,000 per year. It's a step in the right direction.

Councilman Sumner - Is there any likelihood that they can change the zoning again?

Ms. Buss - Yes.

Councilman Sumner - And the Refinery has been involved in this discussion?

Ms. Buss - Yes.

Councilman Lund - We have that surface parking is not permitted as a primary use but it is as an accessory use. Does that require the primary use to be on the parcel?

Ms. Buss - Yes.

Councilman Lund - Also, parking as an accessory use requires a conditional use permit in the other districts but it's just permitted here.

Ms. Buss - That should be a conditional use permit as well. That was a typo.

Motion by Sumner, seconded by Ingemann, to approve Ordinance No. 2016-9 as amended. With 5 Ayes, 0 Nays, the motion carried.

10. ATTORNEY'S REPORT - Nothing to report.

11. WASHINGTON COUNTY SHERIFF'S OFFICE REPORT – Nothing to report.

12. FIRE CHIEF'S REPORT - Nothing to report.

13. ENGINEER'S REPORT

Engineer Herdegen - The City of Cottage Grove is closing in on their final design for the improvements around the new middle school. The proposed round-a-bout went away. They are doing improvements on Century Avenue and they are looking for the City to participate in the cost for improvements between Oakridge Drive and the Newport border. We'll be bringing a cost-share agreement at the first meeting in December.

Councilman Rahm - It'll show what they're proposing to do? There's a steep ravine there where they removed a bunch of trees that acted as guardrails. You'll need some guardrails.

Councilman Lund - That's a county road.

Engineer Herdegen - Secondly, we've started our design on the 2017 street improvements and the right-of-way on 11th Street is very narrow and the homes are fairly close which limits us to put in our typical road widths. We're not sure if we can get two-way traffic. I'd like to see direction from the Council on if we should make it a one-way.

Supt. Hanson - The existing pavement uses up all of the right-of-way.

Councilman Sumner - Are there any downsides?

Supt. Hanson - We're looking at that right now.

Councilman Sumner - That's the only option?

Engineer Herdegen - Unless you want to buy property and even then it would be very close to the houses. Once we have the design about 60% done, we'd have a neighborhood meeting.

14. SUPERINTENDENT OF PUBLIC WORKS REPORT –

Supt. Hanson - I attended the crowning of the flood markers at the end of the 10th Street Overlook. Newport on the Move constructed them. They are great and have information on the past floods and will serve as a gauge for future floods.

15. NEW / OLD BUSINESS

A. Amendment to the Joint Powers Agreement between the City of Newport and Washington County CDA

Mayor Geraghty - At our last meeting we reconsidered Resolution No. 2016-43 and I suggested we re-open the joint powers agreement. I believe it gives us more authority for approving developments, we'll also get financial reports and meet at least once per year. The CDA approved this already.

Councilman Lund - I handed out a sheet. I think it's important for us to step back and consider what we're giving up by having the Washington County CDA control the TIF vs. Newport controlling the TIF. I know there are a lot of concerns

about the expenditures that been racked up so far. It'll be paid back with our TIF money. The initial expenditures are currently being funded by the CDA's levy so we would have to bond for that cost up front if we were to take over. We have no control over the ongoing expense of administrative cost. They have a high monthly burn rate. Another major point is that we have a significant amount of staff time ourselves and at a minimum we should be asking for an opportunity to be reimbursed for that. I think we have tens of thousands of dollars already. We should have an opportunity to get that back. Another advantage that is constantly held out for the Washington County CDA to run the TIF is that they hold the risk of unfunded TIF expenses. It's very common for municipalities to have unsecured bonds. It's possible for us to issue bonds for the initial investment. The bond holders would be the ones holding the risk and we would pay a premium rate for that. We don't have to put the general fund at risk. All these things put together, we have to talk about them. We're giving away a lot of what it means to be a city, a lot of local control. I don't think we get the benefit of what we're paying for by giving them the control. I would urge you at a very minimum to put into this agreement the eligibility for us to get reimbursed.

Mayor Geraghty - Can we be reimbursed for that?

Jason Aarsvold, Ehlers - The admin costs would go to the CDA. You could make an arrangement with them.

Mayor Geraghty - Would it be a legitimate item to come out of the TIF?

Mr. Aarsvold - They'll need to control the admin and I think the only way to be reimbursed is to come up with an agreement with them.

Councilman Lund - They can allocate their time towards those costs.

Mr. Aarsvold - Yes but they'll have to document that they have spent staff time or have consulting costs.

Councilman Lund - Would you say our staff have spent time on this?

Mr. Aarsvold - Yes they have. You can reimburse yourself if you pass an interfund loan resolution and anything after that can be reimbursed.

Councilman Lund - But Washington County is administering the TIF. We're an agent working on their behalf.

Mr. Aarsvold - You wouldn't have access to those funds.

Councilman Lund - Can we bill the CDA?

Mr. Aarsvold - That's an arrangement you'd have to work out with the CDA.

Councilman Lund - Is that legal?

Mr. Aarsvold - I'm not sure, you'd have to consult with your TIF attorney on that.

Mayor Geraghty - The CDA would have to agree to that.

Melissa Taphorn, Washington County CDA - I don't know what expenses the City has incurred in the administration of this TIF district. We would need to look at those. The increment is going to be used to repay the redevelopment expenses. Any administration of the TIF district going forward is done by the CDA.

Councilman Lund - We pay our financial advisors but it's staff time.

Ms. Taphorn - About 60% of that is related to the acquisition of properties. Those administrative expenses are legal, financial advisor, and acquisition consultant. Staff time is probably less than 10% over five years.

Councilman Rahm - We'd have to get an estimate for what our time would be.

Councilman Lund - The staff are going to meetings and need to prepare for those meetings.

Councilman Ingemann - If we're in charge of our own TIF then there would be no point in going forward with this one. You would deem Newport difficult to work with and we'd probably get no help from the County. We've spent five years working with the County to get this thing going and development in there. You want to get rid of this, no one will want to come in here because we're difficult to work with.

Councilman Lund - The land hasn't been available since the County purchased it. I don't want to turn over control of \$26 million. Once they establish the TIF, they can extend it, grow the project area, and it can keep going.

Mayor Geraghty - They would have to come back to us to do that.

Councilman Ingemann - You're assuming a lot.

Councilman Lund - The \$26 million can be used for additional areas but we wouldn't have control over that.

Councilman Ingemann - Once it's paid off, it ends.

Councilman Lund - Can they expand the district?

Mr. Aarsvold - There are some natural safeguards in the district. After four years, if there hasn't been any movement on a parcel, it gets knocked out. After five years, you can't enter into any new obligations. Right now, we have one obligation, once that's paid, the district would need to be shut down. There can be new districts in that five year period. There are some natural endpoints that would occur along the way.

Mayor Geraghty - I'm going to support this because we've been working with the County and developed a relationship with them. I'm assuming they're working in good faith for the City and will work with us. That's why I required the financial reporting. At this stage, it's not fair to pull the rug out now. The money will be spent in Newport. We can have a discussion with potential reimbursement moving forward. The money will be used in the City. We'll have some staff time but the burden is on them to do the heavy lifting.

Councilman Sumner - Does this allow them to hold the entire project area or just this district?

Mayor Geraghty - The project area is bigger than this district. The project area allows them to expend money in that area. I'm not sure it's bad to have it broader.

Attorney Knaak - That's correct. This is some additional restrictions and clarifying the City's role.

Councilman Lund - We have no right to control the expansion of the area or the creation of a new area.

Mayor Geraghty - Yes we do.

Attorney Knaak - I believe under any circumstances, you do. You will have a veto to any project that is going in.

Mayor Geraghty - I asked specifically that they cannot create another TIF without our approval and they can't.

Councilman Lund - Why didn't we write that down then?

Mayor Geraghty - It's law.

Councilman Lund - The law is very unclear because usually the City is creating the TIF.

Attorney Knaak - For all intensive purposes, this is the City's TIF. You're asking for help.

Councilman Sumner - Because we have another applicant for a TIF district, what are the standoffs in a situation like this? The project area overlaps.

Councilman Lund - The current proposal is for the entire city to be a project area.

Mr. Aarsvold - That's allowed and fine.

Motion by Geraghty, seconded by Rahm, to approve the amendment to the Joint Powers Agreement. With 3 Ayes, Sumner and Lund voting Nay, the motion carried.

B. Resolution No. 2016-43 - Supporting a Proposed Redevelopment Tax Increment Financing District by the Washington County Community Development Agency

Motion by Ingemann, seconded by Rahm, to approve Resolution No. 2016-43. With 3 Ayes, Sumner and Lund voting Nay, the motion carried.

C. Discussion Regarding Proposed Tax Increment Financing District

Jason Aarsvold, Ehlers, presented on this item as outlined in the attached PowerPoint. M & M LandCO LLC submitted the attached application for a TIF District.

Councilman Lund - Is the particular financing mechanism required in order to move forward with the creation?

Mr. Aarsvold - You can leave that open, you don't need to specify to set up the plan.

Councilman Lund - At this point, we just have a site plan, we're far from knowing what will happen. Do you think we could leave that until we have more concrete numbers?

Mr. Aarsvold - Yes you could but you want to think about that before you spend money to do all of that planning.

Councilman Ingemann - In the packet that was sent to us. They have architectural and engineering fees, it sounds like that's for the whole project, why would we pay for that? Also, why would we pay for the acquisition of the land? He originally asked for assistance in building the ramp. I don't think the City should be on the hook for designing this project.

Councilman Lund - We're being asked to make a \$15,000 commitment to establish the TIF district. We're not agreeing to spend any money. There's a lot more information that needs to be found on their end.

Councilman Ingemann - I just don't want it to end up like the 11th Avenue trainwreck.

Councilman Rahm - Why do we need to move so fast?

Councilman Lund - I don't think spending \$15,000 is a big risk if we're concerned about being easy to work with.

Councilman Ingemann - We're just looking at it now.

Councilman Lund - I don't disagree. I'm willing to commit the \$15,000. The developer has a purchase agreement and will move forward with it if we commit to establishing the TIF district.

Mayor Geraghty - If we set the hearing for December 29th, could it be continued?

Mr. Aarsvold - Yes.

Mayor Geraghty - So it wouldn't hurt to set it for the 29th and then just continue it if we don't have everything?

Mr. Aarsvold - You may not have a document for individuals to respond to. They usually get a completed TIF plan. It'll be a broad document and will leave a lot of flexibility.

Councilman Lund - That plan could assume the combination of the parcels?

Mr. Aarsvold - No, I think that will need to be done before you finalize the plan.

Councilman Lund - I think we need to take a step back and have a broader discussion. One of the biggest inhibitions to the development is our zoning that requires very high density, densities that aren't required in Cottage Grove and Woodbury. Higher density is more expensive. As much as we want it to be a transit oriented district, it's not, people drive and need places to park. This proposal is representative of what fits in our zoning code. We can reduce the density requirement, support development through TIF, have no development soon, or have development like low income housing. I think it's important for us to talk about this honestly. Just because we put things in our zoning code doesn't mean Newport land is worth the price of 50th and France. Something has to give.

Councilman Ingemann - If you want less density you'll need to change the zoning.

Councilman Lund - I don't think anything will get built as long as we have this density requirement that's not supported by the free market. We have minimums. We couldn't have a strip mall on this property.

Councilman Rahm - We're doing redevelopment where you build up. We increased our densities to allow for that build up.

Councilman Lund - It's gotten us nothing in 10 years.

Councilman Rahm - I don't know if that's the true cause because you have to look at other factors.

Mayor Geraghty - If he can develop what he's proposing, that's a good thing.

Councilman Lund - I just want to throw it out there that a project like this won't happen because the free market won't support the density that is required.

Councilman Rahm - I think another big issue is the upfront financing.

Mayor Geraghty - I'm not sure we can meet this aggressive schedule. Do you want to start the process?

Councilman Rahm - Yes.

Councilman Ingemann - Yes.

Mayor Geraghty - When do you want to set the public hearing? We have a resolution before us.

Mr. Aarsvold - You don't need to set it at all tonight, we can bring a resolution back to you and set it for a date where we believe everything can be done.

Michial Mularoni, M & M LandCo - I'm proposing a private-public partnership and I want everyone to have their glass half full, not half empty. I was asked for this application and we got it to you within 48 hours and I didn't have all of the information needed. I'd like it by the end of the year, that was being driven by the purchase agreement. However, when I went through this application, the \$11.4 is based on the general Performa, which is lacking. My initial thought and request is \$8-\$10 million for the public parking garage. We want to work with you. I propose we take the December 29th timeframe off the table so we can work on this. I think if we made a goal for the hearing to be in January or February, that would be good. I have a purchase agreement ready to go and have way more in this than the City. Let's be partners and set

a time frame. We need to get the parcels passed. I'm confident it will. I wasn't privy to the staff report. There was no phone call or conversation so I'm totally in the dark. I'd like to get copies of that. There was no phone call regarding the finances. I propose we make the target to set this hearing. I'd like my people to talk with your people and then we shoot for a Council workshop.

Mayor Geraghty - You said we don't have to act tonight, can you come up with another schedule?

Mr. Aarsvold - Yes, let's see how long it will take to replat it and then go from there.

Councilman Lund - Should we ask them to continue the process to certify it?

Mr. Aarsvold - I think that makes sense.

Councilman Rahm - Can we do that by next meeting?

Mr. Aarsvold - I think so.

Councilman Rahm - Let's try to shoot for it the first meeting in February.

Councilman Ingemann - I'm like to make a motion to reconsider Ordinance No. 2016-8 amending the Mayor and Council salaries. I recently took the amount of money I receive and the amount of time I spend, I'm paid on average \$2.50 per hour. I believe my time is worth something. The vote you took at the last meeting was political in nature. The vote you take will go to the next Council members and Mayor. I'm hoping you come to your senses and reconsider.

Councilman Rahm - I'll second it.

Councilman Ingemann - According to the minutes, everyone thinks they're doing it voluntarily and for free. If that's the case, state it again. I think my time is worth something.

Councilman Lund - I don't disagree with what you're saying but I'm not going to vote for this. I care more about the privilege of serving than the money.

Councilman Rahm - Dan and I agree on this point.

Steve Gallagher, 405 13th Street - How about creating a citizen commission to look at this and advise the Council on raising the rate or not. With the amount of time you're putting in, I think it should be much more. Some cities have created a commission to look at this.

Motion by Ingemann, seconded by Rahm, to reconsider Ordinance No. 2016-8. With 1 Aye, Geraghty, Sumner, Rahm and Lund voting Nay, the motion failed.

16. ADJOURNMENT

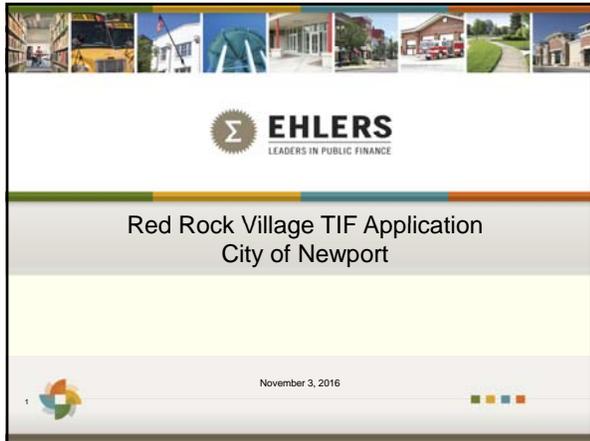
Motion by Geraghty, seconded by Rahm, to adjourn the regular City Council meeting at 7:07 p.m. With 5 Ayes, 0 Nays, the motion carried.

Signed: _____
Tim Geraghty, Mayor

Respectfully Submitted,

Renee Eisenbeisz
Assistant to the City Administrator

	<u>WCCDA TIF</u>	<u>Newport TIF</u>
Admin Expenditures	Controlled by WCCDA, no reimbursement for Newport's costs (high monthly burn rate)	Controlled by Newport, reimbursement for Newport's costs
Admin Costs	Paid for with Newport's TIF \$	Paid for with Newport's TIF \$
Qualified TIF expenses	Paid for with Newport's TIF \$	Paid for with Newport's TIF \$
Initial funding money	Paid for with WCCDA levy, repaid with Newport's TIF \$	Paid for with bonding, repaid with Newport's TIF \$
Current expenditures of about \$640k	repaid with Newport's TIF \$	repaid with Newport's TIF \$
Interest	4% charge, pure profit for WCCDA	Market charge, current rates are 2-3%
Risk of unfunded TIF expenses	Held by WCCDA, backed by WCCDA levy	Depends on bond terms, could be unsecured bond, where risk is on bondholders, or general obligation bond, where risk is on Newport
Allocation of Costs	Newport pays all costs through Newport's TIF \$, WCCDA profits from interest and charging admin expenses at will	Newport pays all costs through Newport's TIF \$, Newport controls interest and admin expenses paid for with Newport's TIF \$



EHLERS
LEADERS IN PUBLIC FINANCE

Red Rock Village TIF Application
City of Newport

November 3, 2016

Overview

- Tax increment financing district schedule
- TIF application
- Estimated TIF
- TIF district qualifications
- Timing and cost considerations



Tax Increment Financing Schedule

- A schedule is prepared that provides for creation of redevelopment TIF district by the end of 2016
- First step is to call for the public hearing on creation of the district
- Resolution calling for the public hearing presented for Council consideration this evening
 - Call for hearing on December 29, 2016 (special mtg.) – OR
 - Call for hearing on January 5, 2017



TIF Application for Red Rock Village

- Proposed development includes:
 - 64-96 market rate rental units (96 used for estimates)
 - 30 for sale townhouse units
 - 29,500 square foot grocery store
 - 4,800 square foot restaurant
 - 99,600 square feet of retail/office
- Developer requests \$11,400,000 in assistance



TIF Application for Red Rock Village

- Request is that assistance is provided **UP-FRONT**
 - Would require the City to issue general obligation bonds
 - Debt service would require tax levy if TIF is less than projected
 - Generally not recommended for projects of this nature
- Pay-as-you-go TIF financing is the preferred option for these projects – **City policy**
 - Developer secures financing for the project
 - City provides TIF to the developer as it is captured
 - City's pays only if TIF is available – other City funds not at risk



TIF Application for Red Rock Village

- Some information missing from the application to establish the “but-for” test
 - Developer pro forma with income and expenses
 - Financing assumptions



Estimated TIF

Estimated assessed valuation of proposed project – per discussions with assessor

New Use	Estimated	Taxable	Total	Total Taxable
	Market Value Per Sq. Ft./Unit	Market Value Per Sq. Ft./Unit		Sq. Ft./Units
Apartment	120,000	120,000	96	11,520,000
Townhouses	225,000	208,010	30	6,240,300
Grocery	90	90	29,500	2,655,000
Retail	175	175	20,300	3,552,500
Retail	175	175	20,300	3,552,500
Retail	175	175	27,000	4,725,000
Retail	175	175	32,000	5,600,000
Restaurant	200	200	4,800	960,000
TOTAL				38,805,300
Subtotal Residential			126	17,760,300
Subtotal Commercial			133,900	21,045,000

Estimated TIF

Estimated Tax Collections

New Use	TAX CALCULATIONS			Market Value	Total Taxes
	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes		
Apartment	193,475	0	0	39,603	233,078
Townhouses	83,843	0	0	21,453	105,296
Grocery	46,977	27,251	25,828	9,127	109,184
Retail	62,857	36,463	34,559	12,213	146,092
Retail	62,857	36,463	34,559	12,213	146,092
Retail	83,603	46,498	45,966	16,243	194,310
Retail	89,085	57,479	54,478	19,251	230,294
Restaurant	16,986	9,854	9,339	3,300	36,479
TOTAL	649,684	216,008	204,730	133,402	1,203,825

Estimated TIF

Projected Annual Gross TIF at Full Build-Out

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	1,203,825
less State-wide Taxes	(204,730)
less Fiscal Disp. Adj.	(216,008)
less Market Value Taxes	(133,402)
less Base Value Taxes	(19,500)
Annual Gross TIF	630,184

Estimated TIF

Total Estimated TIF

Red Rock Village	Total Tax Increment			
	10 Years	15 Years	20 Years	26 Years
Total TIF	\$4,931,063	\$7,756,682	\$10,582,302	\$13,973,045
Present Value TIF*	\$3,629,191	\$5,101,581	\$6,251,810	\$7,304,955

*Assumes financing rate of 5%

Estimated TIF

Total Bond Proceeds Using Estimated Annual TIF Revenue

Sources	G.O. TIF Bond Potential	
	15 Years	20 Years
Par Amount of Bonds	\$6,110,000	\$7,680,000
Uses		
Underwriter's Discount	\$61,100	\$76,800
Cost of Issuance	\$57,000	\$61,000
Capitalized Interest	\$293,208	\$426,428
Deposit to Project Fund	\$5,698,692	\$7,115,719
Total	\$6,110,000	\$7,679,947

- ### TIF District Qualifications
- Redevelopment TIF District (26 years)
 - Parcels consisting of 70% of area must be improved
 - "Improved" means - buildings, streets, utilities, paved or gravel parking lots
 - Improved area equals 15% area of parcel
 - More than 50% of buildings must be substandard
 - 90% of TIF used to correct redevelopment issues
 - Reasonable distribution of conditions

TIF District Qualifications

- **Renewal and Renovation TIF District (16 years)**
 - Parcels consisting of 70% of area improved
 - 20% of buildings are structurally substandard
 - 30% of other buildings require substantial renovation or clearance
- **Determination made by an independent third party**
 - Formal report documenting conditions prepared



TIF District Qualifications



- **Substandard Buildings**
 - Two buildings within district
 - Assume both would qualify as substandard, but need to verify
- **Site Coverage**
 - 16 parcels
 - Not all have “improved area”
 - May be able to re-plat



TIF District Qualifications

Parcel #	PID #	Land Use	Sq/Ft of Parcel	Sq/Ft Covered	Coverage Percent of Improvements	Sq. Footage Included for Coverage Test	No. of Buildings
1	36.028.22.22.0046	Parking	96,144	70,200	73%	96,144	
2	36.028.22.22.0044	Vacant	22,003	0	0%	0	
3	36.028.22.22.0022	Single Family	22,350	3,800	17%	22,350	1
4	36.028.22.22.0024	Vacant	21,054	0	0%	0	
5	36.028.22.22.0025	Vacant	20,035	0	0%	0	
6	36.028.22.22.0028	Driveway	19,056	2,000	10%	0	
7	36.028.22.22.0027	Driveway	18,867	5,000	27%	18,867	
8	36.028.22.22.0026	Parking	18,867	500	2%	0	
9	36.028.22.22.0029	Office/Professional	18,866	7,800	41%	18,866	1
10	36.028.22.22.0030	Parking	18,858	15,700	83%	18,858	
11	36.028.22.22.0031	Parking	18,858	16,500	88%	18,858	
12	36.028.22.22.0032	Parking	18,858	16,500	88%	18,858	
13	36.028.22.22.0033	Parking	18,855	16,500	88%	18,855	
14	36.028.22.22.0043	Parking	18,472	11,000	60%	18,472	
15	36.028.22.22.0044	Vacant	11,845	0	0%	0	
16	36.028.22.22.0045	Vacant	4,027	0	0%	0	
TOTAL	N/A	N/A	947,858	N/A	N/A	250,127	2
			Coverage %		68%		

Less than 70%



Timing and Cost Considerations

- **Still several unknowns and some unresolved questions**
 - Developer pro forma and “but-for” test
 - Sufficient TIF for project feasibility?
 - PAYGO vs. bonds
 - Site coverage – re-platting?
- **May proceed now, but would incur cost before resolving outstanding issues**
- **Cost would be \$20,000 - \$25,000**
 - Blight and TIF district qualifications Study
 - TIF District Creation
 - Pro forma analysis and negotiation
 - Development agreement



Timing and Cost Considerations

- **Council may proceed with current schedule**
 - LHB, Inc. can complete qualification report by 12-29-16
 - Ehlers can provide a TIF plan for approval by 12-29-16
 - If property needs to be re-platted, this could take longer
- **Council may choose to delay until it is clear there is a path to a successful project**
 - Would minimize the developer’s costs
 - Will not delay the project



Discussion



EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

1. Provide a brief project description and the following information:

This mixed use development will consist of distinctive retail, office, professional and residences combined with an eloquent and robust Market Square-all located in a Village setting close to convenient highway access. The Village will be a special place to live, work and play. Classic architectural design wrapped in functional spaces integrated into a park-like landscape that will include fountains, green spaces, outdoor lighting and special events year around. The Village will be a place where people who live and work nearby meet friends to shop, eat and entertain.

The construction will include Retail Flex-Space, 2nd Floor Office and Professional Spaces, Garden Roof Top Decks, 2nd-4th Floor Multi-Family Units, Underground Parking and 30 T.H./Row Houses making the Village a unique and fun place to live, work and play.

The City of Newport has long awaited such a development and the project expects to receive Tax Increment Financing and other incentives amounting to 20-25% of the total development costs of about \$50 million

Building square footage: 237,500 SF

Size of property: 8.41 Acres or 366,339.60 SF +/-

Description of building: Mixed-Use Development with Public Parking Garage

Materials and other additional relevant building information:

Commercial materials are precast concrete, steel framing and masonry. Residential construction shall be wood frame over precast concrete with exterior composite siding, pre-finish metal and masonry. See Attachment No. 1 for additional building information.

2. Provide a brief description of your business and the following information:

Business Name: M&M LandCo, LLC
Address: 6191 Crackleberry Trail, Woodbury, MN 55129
Telephone: 651-308-2088
Contact Name: Michial G. Mularoni

3. Provide information on the present ownership of the site:

Name: Trucking Properties
Address: 1680 4th Avenue, Newport, MN 55055
Phone Number: 763-360-5145
Contact Name: Michael Smithers
PID #s: 36.028.22.22.0024; 0025; 0026; 0027; 0028; 0029;
0030; 0031; 0032; 0033; 0042; 0043; 0044; 0045;
0046.

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

Name: Michael C. & Pamela J. Keapproth
Address: 1696 4th Avenue, Newport, MN 55055
Phone Number: 651-458-5397
PID #s: 36.028.22.22.0022.

4. Estimated Project Costs

a. Land acquisition	<u>\$1,025,000</u>
b. Site development	<u>\$1,732,700</u>
c. Building cost	<u>\$40,155,300</u>
d. Equipment	<u>- 0 -</u>
e. Architectural/engineering fee	<u>\$1,560,000</u>
f. Legal fees	<u>\$45,000</u>
g. Off-site development costs	<u>\$ TBD</u>
TOTAL ESTIMATED COSTS	<u>\$44,518,000 +</u>

5. Estimated Project Funding

a. Private financing institution	<u>\$33,118,000</u>
b. Tax increment/abatement funds	<u>\$11,400,000</u>
c. Other public funds	<u>- 0 -</u>
d. Developer equity	<u>\$5,782,000</u>
TOTAL ESTIMATED SOURCES	<u>\$50,300,000</u>

(should equal Total Estimated Costs)

6. Describe amount and purpose for which TIF or Tax Abatement is required:

Public Parking Garage	<u>\$8,000,000</u>
Site Acquisition	<u>\$1,025,000</u>
Site Development and Related Fees	<u>\$2,375,000</u>

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

7. State specific reasons why TIF or Tax Abatement is necessary for the project (“but for” test).

This project would not support the parking structure and related site development costs to create the mixed-use development consistent with Comprehensive Plan goals for this development site.

8. List project costs that may be eligible for assistance.

See Attachment No. 2

9. Provide market value information.

Current market value (from County Assessor):	<u>\$1,044,300</u>
Proposed market value at completion:	<u>\$43,000,000</u>

10. Provide real estate property tax information.

Existing real estate taxes of property:	<u>\$41,612.37</u>
Estimated real estate taxes of property upon completion:	<u>\$1,187,670.00</u>

11. Provide name and address of architect, engineer, and general contractor for the project.

Architect:	Michial G. Mularoni, AIA MULARONI+CO 6191 Crackleberry Trail Woodbury, MN 55129
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Civil Engineer:	Paul Cherne Pioneer Engineering 2422 Enterprise Drive Mendota Heights, MN 55120
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Soils Engineer:	Paul Haugo Haugo Geotechnical Services, LLC 13570 Grove Drive #278 Maple Grove, MN 55311
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EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

Structural Engineer: Henry Voth
Larson Engineering
3524 Labore Road
White Bear Lake, MN 55110

General Contractor: TBD

12. Provide project construction schedule.

Estimated construction start date: September 2017

Estimated construction completion date: September 2019

If phased project: _____ Year _____ % Complete

_____ Year _____ % Complete

13. Provides names of any other municipalities wherein the applicant, or other corporations the applicant has been involved with, has completed developments within the last five years

Lakeville, Minneapolis, West Saint Paul

14. Provide the following required supplemental information:

- Project Pro Formas (one showing with assistance and one without assistance)

Attachment No. 3

- Legal description of the property

Attachment No. 4

- Application fee of \$10,000 payable to the City of Newport
- Site plan and building rendering

In addition to the required information from above (items 1-14), the following information is requested and will be considered as part of the application approval process:

- Provide number of years in business

42 Years

- Provide number of years located in the City of Newport (if applicable)

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

- Describe potential for business growth or future development

Forest Lake, MN – Senior Campus and Commercial

Newport, MN – Multi-Family, Single Family and Commercial

- Explain whether the building will be owner-occupied (Yes/No)

30 Row Houses – owner occupied

Grocery Store – owner occupied

- If rental space, provide the targeted retail rates

Flex Retail - \$11 psf NNN

Multi-Family - \$1.35 psf

- Provide land costs per acre or square foot

\$122,024 per acre

\$2.80 per square foot

- Provide the projected building cost per square foot

See Attachment No. 3

- Additional comments

Demographics	3 Miles	5 Miles	10 Miles	5 Minutes
Population	48,733	134,984	525,705	2,917
Avg HH Income	\$78,614	\$69,209	\$58,906	\$53,651
Median Age	36.2	36.6	34.4	35.5

Traffic Counts	
US-61	79,000
Hastings Ave	5,000

1. The Glen Road Exit Site is considered the best real estate development parcel currently available in the City of Newport.
2. No re-zoning is necessary -- Currently zoned MX-3 Transit-Oriented Design District. City Zoning Code Section 1350 states that MX-3 District is “intended to provide for commercial (retail), office, and service uses and support a mix of residential uses” – “This District is primarily intended to integrate residential uses with pedestrian-oriented commercial uses such as specialty retail (stores), professional and financial services, offices, sit-down restaurants, coffee shops, and entertainment activities..... inclusion of high density housing over commercial uses and public transit services.”
3. Approximately 50% of the land is vacant (no re-zoning required).

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

4. It appears there are no major environmental concerns based on documentation around previous sale of R.O.W. land acquisition at the time of the Glen Road interchange and 7th Avenue improvements.
5. Tax Increment Financing (T.I.F.) to provide infrastructure or modifications to existing infrastructure to the development site. i.e. Pay for re-routing electrical lines and power poles and/or bury new electrical services.
6. There is no current competition in the City of Newport (or the entire HWY 61/10 Corridor) for mixed use developments. There are two development projects currently underway: one east of HWY 61/10 for office/warehouse/trucking uses and a low income multi-family rental project proposed by WCHRA four blocks from the subject property.
7. Developer has lived in the area for 32 years.
8. Professional architectural, planning and development business office located in the area since 1983.
9. Developer was the Newport City Planner during 1979 – 1989 (nine years of services).
10. Completed multiple real estate development projects in the area – Newport, Cottage Grove, Oakdale, and Woodbury.
11. The Developer has long standing relationships with team members (civil engineering, surveyor, environmental and soils consultants) – this developer/architect collaboration with these consultants will lead to a more efficient and lower cost pursuit phase.
12. The site has been under the same owner-operator since 1964 and the same use since the 1920's.
13. This real estate development property has been underutilized and underperforming with little creative thought since its positioning with the construction of the Glen Road slip ramp exit and the HWY 61/10 and 7th Avenue improvement projects.
14. There are over 79,000 vehicles per day on HWY 61/10 that drive by this site with 100% visibility – this supports “opportunity”.
15. Site demographics – over 50,000 population in a 3 mile radius, average household income is \$78,614, and median age is 36.2. In a 5 mile radius over 135,000 population and in a 10 mile radius over 525,000 population.
16. Most retail stores look for the population in a core area of trade to be at least 25,000 to 35,000 based on a core trade area of approximately 5 miles.
17. Based on a 2015 WCHRA housing needs study, there is currently greater rental housing demand due to a general shift from home ownership to rental. WCHRA report this is especially true for Millennials (later this decade) and senior population (ages 55-74 downsizing to rental).
18. There are currently no active senior housing units in Newport – rental occupancy rates for all apartments in the area are close to 100%.
19. We can anticipate little or no neighborhood opposition to this real estate development site zoned for our intended uses.

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

Attachment No. 1

3 or 4 STORY BUILDING(S) - Are apartments over retail flex-space: 500 X 64 = 32,000 SF Retail and 64,000 sf Residential (on two floors – 64 Units) or (96,000 sf on three floors – 96 Units).

TWO STORY BUILDING(S) - Are office over retail flex-space: Office Level will be 40 feet centered in 64 foot width and pull back 12 feet on the ends to accommodate roof-deck gardens.

ONE STORE BUILDING – Retail/Restaurant: Freestanding 4,500 sf structure.

7th Avenue Retail (2) at 200 X 64 = 12,800 sf each

7th Avenue Office footprint of 176 X 40 = 7,040 sf each with Roof Garden Decks in 12 foot areas.

Glen Road Retail 220 X 64 = 14,080 sf

Glen Road Office 196 X 40 = 7,840 sf with Roof Garden Decks in 12 foot

TOTAL OFFICE AREA - 21,920 sf (3 -Two Story Buildings)

TOTAL RETAIL AREA - 76,180 sf (All buildings)

TOTAL GROCERY STORE AREA – 29,500 sf

PARKING STRUCTURES – 142,000 sf (400 stalls)

TOWNHOUSES/ROW HOUSES – 30 Dwelling Units Total Construction Area 35,840 sf over parking garage.

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

REQUIRED PARKING Per MX-3

T.H. Parking for 30 units = 50 spaces -- $30 \times 1.5 + 10\%$ for guests

RETAIL Parking for 76,180 SF @ 400 sf/space = 191 spaces

OFFICE Parking for 21,920 SF @ 400 sf/space = 55 spaces.

GROCERY Parking for 27,100 SF @ 300 sf/space = 90 spaces

APARTMENT Parking for 96 units = 158 spaces - $96 \times 1.5 + 10\%$ for guests

TOTAL 544 SPACES Required - Also, note (4) Drive-Through Windows.

PARKING PROPOSED

Off-Street Parking Spaces 182 spaces

Public Parking Garage 400 spaces

TOTAL PARKING PROVIDED 582 Spaces

Note: Additional parking for sit-down restaurants may be required by MX-3 Parking Provisions (Requirements for sit-down restaurants call for 5 cars/1000 SF as opposed to off 2.5 cars/1000 SF for Retail).

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

Attachment No. 2

ELIGIBLE COSTS

Subd. 5.01. The Authority shall consider the use of tax increment financing to cover project costs as allowed for under Minnesota Statutes. The types of project costs that are eligible for tax increment financing (under current state law) are as follows:

Project Cost	Amount
TIF application deposit	\$10,000
Architectural and engineering fees	\$440,000
Earthwork/excavation	\$570,000
Building demolition & clearance	\$150,000
Landscaping	\$175,000
Streets and roads	N/A
Streetscape	\$100,000
Street/parking lot lighting	\$80,000
Sidewalks & Trails	\$66,000
Special assessments	N/A
Soils test and environmental studies	\$12,500
Site related permits	N/A
Soils correction	N/A
Environmental remediation	N/A
Utilities (sanitary sewer, storm sewer, and water)	\$192,500
Street/parking lot paving	\$375,200
Parking facilities	\$8,000,000
Curb and gutter	\$160,000
Land acquisition	\$1,025,000
Legal (acquisition, financing, and closing fees)	\$30,000
Surveys	\$7,500
Title insurance	\$15,000
Total	\$11,408,700

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

Attachment No. 3

Red Rock Village NEWPORT, MN. 8.41a. Mixed Use Development REPLACEMENT COST APPROACH SUMMARY	
CONSTRUCTION COST OF BUILDINGS:	
Retail Flex-Space @ \$110.00 X 76,180 SF =	\$ 8,379,800
2 nd Floor Office @ \$90.00/X 21,920 SF =	\$ 1,972,800
Garden Roof Decks @ \$25.00/SF x 6,000 SF =	\$ 150,000
2 nd -4 th Floor Multi-Family Units @ \$95.00 X 96,000 SF (96) Units =	\$ 9,120,000
Garage Parking - 400 spaces @ \$20,000/Space	\$ 8,000,000
Grocery Store @ \$145.00 X 29,500 SF (no FF&E) =	\$ 4,277,500
T.H./Row Houses @ \$155.00/SF x 35,840 SF =	\$ 5,555,200
Total Base Construction Cost of Buildings	\$37,455,300
SITE IMPROVEMENT COSTS:	
Demolition/ Clearing	\$ 150,000
Excavation/Site Grading / Corrections (95,000CY)	\$ 570,000
Sanitary Sewer	\$ 45,400
Water Main	\$ 55,700
Storm Sewer	\$ 91,400
Pavement and Curbing; Site Concrete, Striping	\$ 535,200
Rain Gardens/Plaza (25,000SF)	\$ 125,000
Landscaping and Irrigation	\$ 50,000
Site/Architectural Lighting	\$ 80,000
Signage, Misc. Site Imp.	\$ 30,000
Total Site Improvement Costs	\$ 1,732,700
INDIRECT COSTS:	
Land Planning, Feasibility Analysis, Environmental Reports	\$ 50,000
Appraisals	\$ 6,000
Market Study	\$ 9,000
Property Taxes	\$ 45,000
City of Newport WAC, SAC, Utility Connection	
Costs, PAC, and Other City Fees	\$ 750,000
Title & Recording Fees Closing	\$ 15,000
Legal and Organizational Fees	\$ 30,000
Architectural and Engineering/Surveying 4%	\$ 1,560,000
Construction Period Interest	\$ 2,535,000
Pre-Completion Marketing Fees (\$5,000/Unit x 166)	\$ 830,000
Contingency Reserve @ 5% X \$39M	\$ 1,950,000
Total Indirect Costs	\$ 7,780,000
SUBTOTAL OF IMPROVEMENT COSTS:	\$ 46,968,000
SITE VALUE BY SALES COMPARISON \$10,000/unit X 96 units + \$4 psf Land Cost:	\$ 3,300,000
TOTAL DEVELOPMENT COSTS	\$ 50,268,000
TOTAL REPLACEMENT VALUE	\$ 50,300,000

Note: Financing fees and construction interest are included in Marshall Valuation figures used to estimate the majority of direct costs. 10-31-2016

EXHIBIT A REQUEST FOR FINANCIAL ASSISTANCE FORM

Attachment No. 4

LEGAL DESCRIPTION OF RED ROCK VILLAGE

RENEWAL & RENOVATION TIF DISTRICT

PARCEL 1 (TRUCKING PROPERTIES):

Lot 2,3,4,5,6,7,8,9,10,11,12,13,14,15, and 16 Riverwood Acres No.5, according to the recorded plat thereof on file and of record in the office of the County Recorder in and for Washington County, Minnesota including that portion of vacated 5th Avenue according thereto by reason of the vacation thereof:

EXCEPT that part which lies easterly of Line 1 described below:

Line 1.

Beginning at the southwest corner of Block 1, Riverwood Acres 4; thence northerly on an azimuth of 00 degrees 10 minutes 11 seconds along the west line thereof for 186.005 meters (610.05 feet), thence on an azimuth of 359 degrees 09 minutes 15 seconds for 15.242 meters (50.01 feet) to the southwest corner of Lot 15 said Riverwood Acres No 5; thence on an azimuth of 49 degrees 14 minutes 05 seconds for 80.579 meters (264.37 feet), thence on an azimuth of 70 degrees 43 minutes 08 seconds for 76.509 meters (251.01 feet) to a point hereinafter referred to as "Point A"; thence on an azimuth of 346 degrees 39 minutes 04 seconds for 325.484 meters (1067.86 feet) and there terminating.

Property Address: 1680 4th Avenue PID#36.028.22.22.0042 through 36.028.22.22.0046; and 36.028.22.22.0024 through 36.028.22.22.0033.

PARCEL 2 (Michael C. and Pamela J. Keapproth):

Lot 1 Riverwood Acres No.5, according to the recorded plat thereof on file and of record in the office of the County Recorder in and for Washington County, Minnesota including that portion of vacated 5th Avenue according thereto by reason of the vacation thereof:

Property Address: 1696 4th Avenue PID#36.028.22.22.0022.

RED ROCK VILLAGE



CITY OF NEWPORT, MN

MULARONI+CO

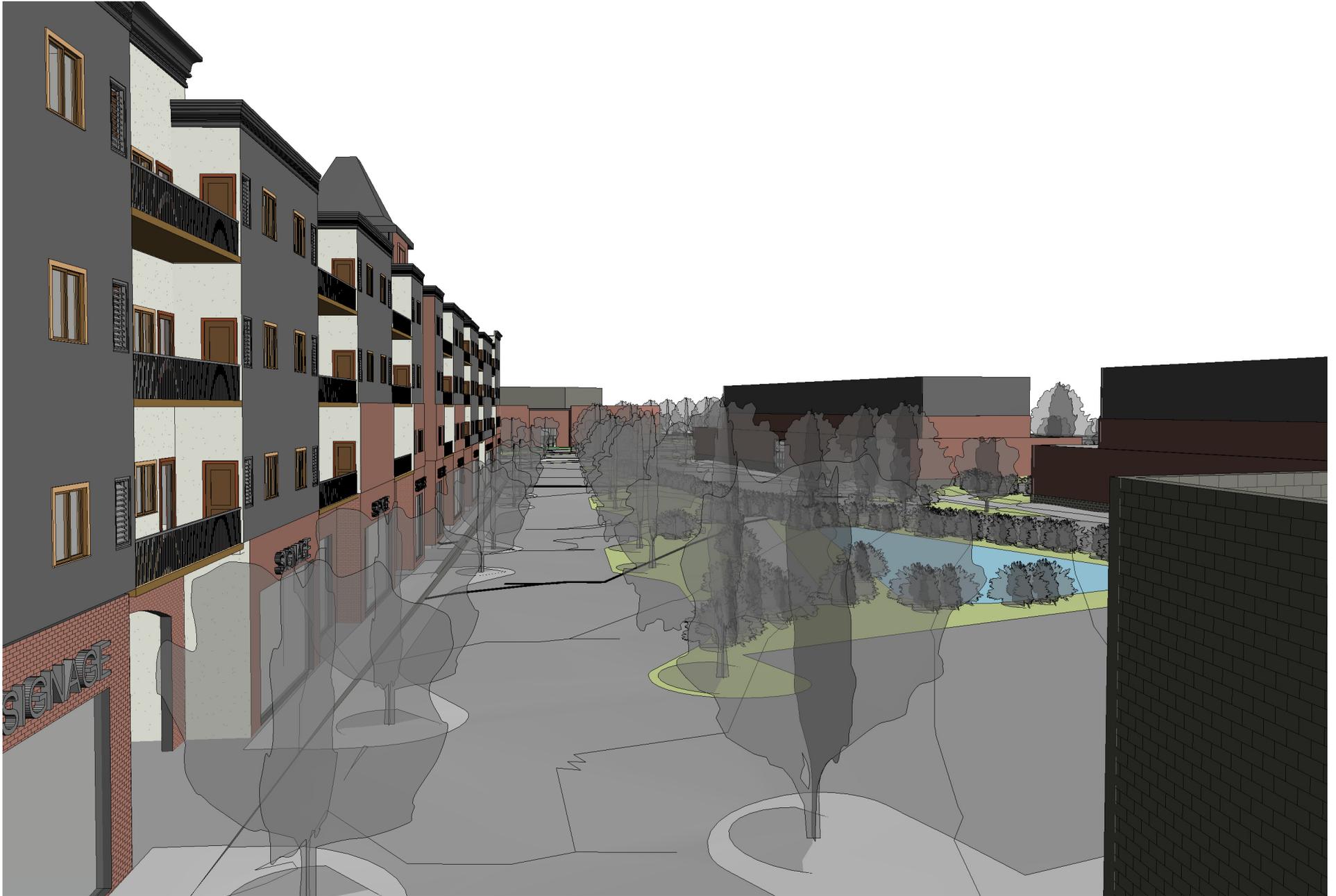
RED ROCK VILLAGE



CITY OF NEWPORT, MN

MULARONI+CO

RED ROCK VILLAGE



CITY OF NEWPORT, MN

MULARONI+CO

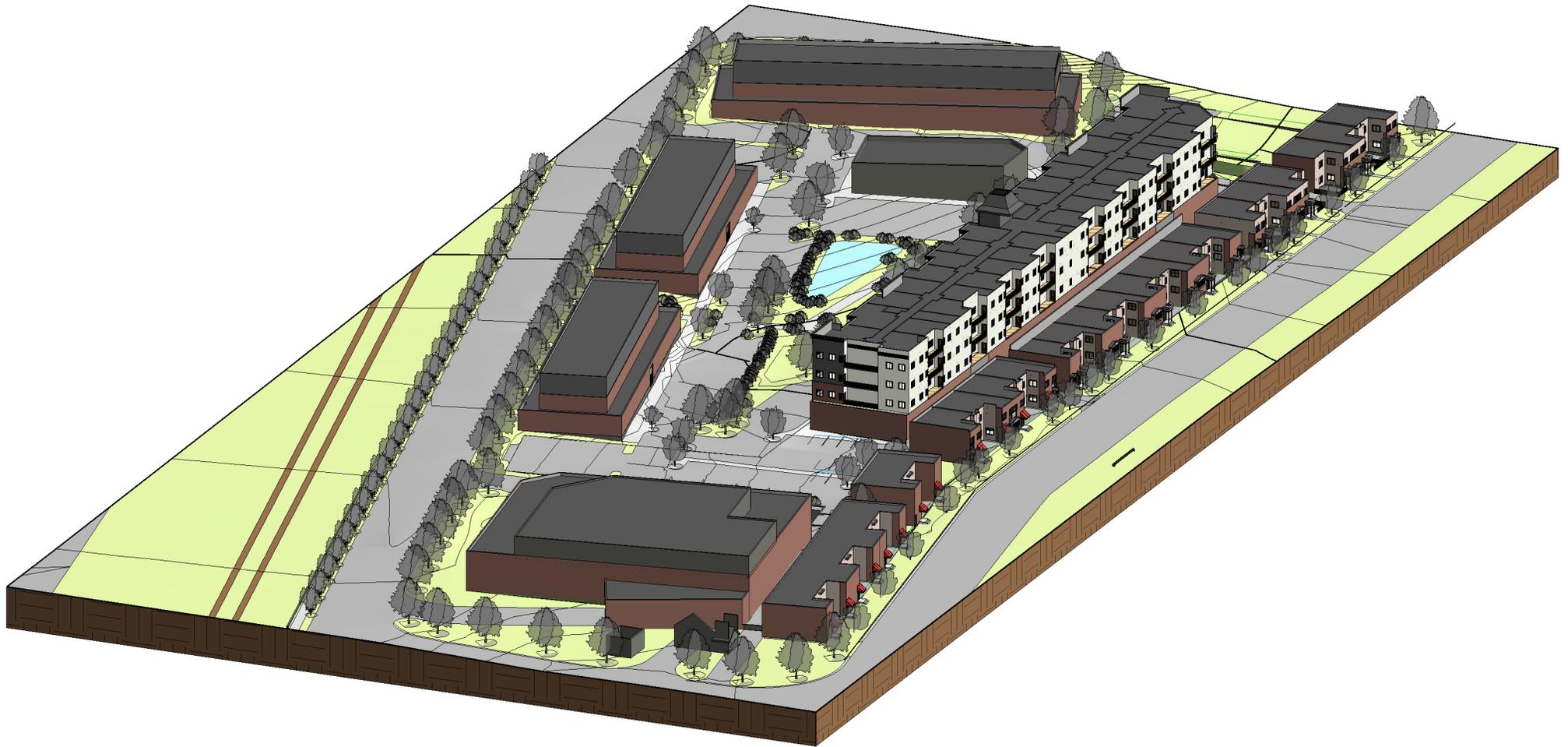
RED ROCK VILLAGE



CITY OF NEWPORT, MN

MULARONI+CO

RED ROCK VILLAGE

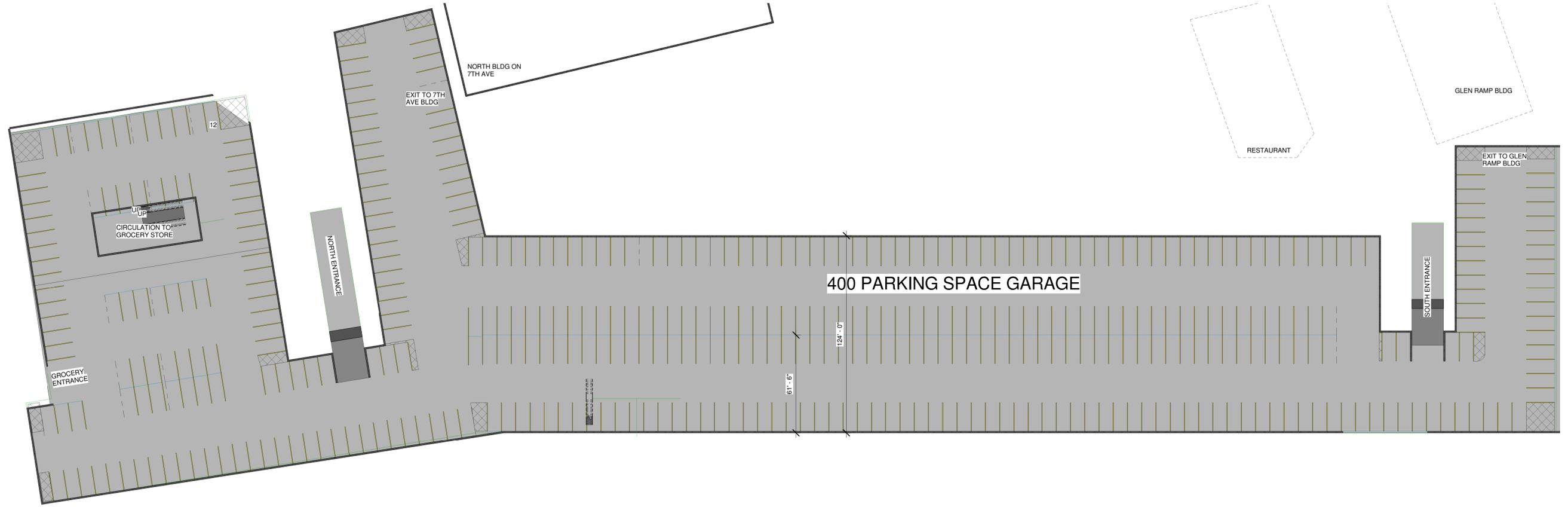


CITY OF NEWPORT, MN

MULARONI+CO

RED ROCK VILLAGE





1 UNDERGROUND
 A102 SC. 1/32" = 1'-0"



I hereby certify that the plan, specification, or report was prepared by me or under my direct supervision and that I am a duly Licensed Architect under the laws of the State of Minnesota.	
Architect:	Reg. No. 15281
Date:	10-31-2016
Drawn By:	MVC
Project No.	1603.14
Sheet Title:	UNDERGROUND PARKING
Project:	Red Rock Village Newport, Minnesota 55055
Developer/Owner:	

No.	Description	Date