

Mayor
John Keis



City of Little Canada

515 Little Canada Road E.
Little Canada, MN 55117

Council Members
Tom Fischer
Michael McGraw
Rick Montour
Christian Torkelson

City Administrator
Chris Heineman

**Workshop Meeting of the
Little Canada City Council**

*Wednesday, September 26, 2018
- 6:00 p.m.*

City Center Council Chambers

AGENDA

1. CALL TO ORDER - Workshop Meeting - 6:00 P.m.
2. Roll Call
3. Workshop Topics
 - A. Discuss Economic Development Incentives
 - a. Project Surf
Documents:
[PROJECT SURF.PDF](#)
 - b. Conduit Debt Request
Documents:
[CONDUIT DEBT REQUEST.PDF](#)
 - B. Discuss 2019 Budget (Time Permitting)
4. Adjourn

This agenda is subject to change by additions and deletions.



STAFF REPORT

TO: Mayor Keis and Members of City Council
FROM: Chris Heineman, City Administrator
DATE: September 26, 2018
RE: Project Surf

At the City Council work session meeting on Wednesday, September 12th, the City Council discussed a request for business assistance for a proposed economic development project in Little Canada. In addition to relocating approximately 400 existing jobs to Little Canada, the project is expected to create 160 net new positions over five years. The developer plans to purchase the existing building and anticipates a total of \$14,706,250 in improvements.

The current taxable market value of the property is \$8,427,500 (\$1,753,500 for land and \$6,674,000 for the building). The Ramsey County Assessor indicated that the property value will increase by \$1,500,000 to \$2,000,000 once the upgrades have been completed.

Based on this information, Ehlers completed a TIF analysis that shows a gross tax increment of \$293,302 over nine years of collection. A copy of the Ehlers TIF analysis is attached for your information. Todd Hagen from Ehlers will be in attendance at the work session to explain the TIF information and address any questions you may have.

In addition to information from the County Assessor and Ehlers on future tax capacity, the Council indicated that they would like answers to the following questions:

- What will the projected workflow be for the facility? Specifically, how would the loading docks be utilized and many trucks would be backing up and loading between 11:00 pm and 7:00 am?
- How are the employees going to get to the facility?
 - 1) How many employees drive and park at the facility?
 - 2) How many employees typically utilize public transportation?
 - 3) Does the business currently provide any shuttle transportation? If not, would they be willing to do so?
 - 4) If needed, would the business be willing to work with the City of Little Canada to request expansion of Metro Transit routes?
- What are the pay and benefits for existing employees and entry-level employees? (Information was provided on the anticipated hiring schedule for 160 net new positions over five years with an average salary of \$32,600 but not for existing or entry-level employees).

In discussions with Chris Schastok and Rachel Gradner from CBRE, they clarified that the request for assistance is only for new increment generated by the project and would exclude the current tax base. They also provided the following answers to the City Council questions:

- Approx. 40-60 small delivery trucks backing up during this timeframe to be loaded
- The majority of our employees drive to work; however, our most recent commuting study of our existing employee based indicated there were many who also carpooled together
- Employee shift start times are below. They are scattered through the day / night showing that all people are not present at one time.
 - Office (54 people): 6-8am
 - Sanitation (17 people): 10pm
 - Day Warehouse (15 people): 6am
 - Night Warehouse (40 people): 5-7pm
 - Day Processing (80 people): 6-8am
 - Night Processing (58 people): 5-6pm
 - Maintenance (7 people): spread through day
 - QA (4 people): spread through day
 - There is *ample* parking at this facility to accommodate multiple shifts.
How many employees typically utilize public transportation?
- Less than 10% of employees typically utilize public transportation. If there were an advantageous and equitable solution for all parties involved this could be considered; however, at this time we see no reason to offer shuttle serviced based upon our understanding of needs of our current employees.
- If needed, the business would be willing to work with the City of Little Canada to request expansion of Metro Transit bus routes.
- BIX's hourly rate starts well above the minimum wage in order to attract employees with the desired skills. These employees have significant earnings growth potential tied to both skill advancement and opportunities for promotions. BIX employees are offered paid time off, company match 401K program and benefits plans to choose from based on personal and family needs.

Action Requested:

No action can be taken at the City Council work session. If the City Council feels that all questions have been addressed, the following actions can be taken at the regular meeting:

- 1) At this time, CBRE is asking the City Council for a Resolution of support of the Minnesota Department of Employment and Economic Development (DEED) Job Creation Fund (JCF) incentive. (see attached)
- 2) The company is also requesting support of a transfer credits for Sewer Availability Charges (SAC). (see attached)
- 3) If the City Council is supportive of additional property tax incentives, Council can approve a motion to direct staff to work with CBRE and the business to begin the business subsidy application process.



Project Surf Redevelopment Project - New TIF District

City of Little Canada, Minnesota

Proposed Office/Production/Warehouse/Storage/Distribution Facility

ASSUMPTIONS AND RATES

DistrictType:	Economic Development
District Name/Number:	TBD
County District #:	TBD
First Year Construction or Inflation on Value	2019
Existing District - Specify No. Years Remaining	NA
Inflation Rate - Every Year:	0.00%
Interest Rate:	5.50%
Present Value Date:	1-Feb-20
First Period Ending	1-Aug-20
Tax Year District was Certified:	Pay 2019
Cashflow Assumes First Tax Increment For Development:	2021
Years of Tax Increment	9
Assumes Last Year of Tax Increment	2029
Fiscal Disparities Election [Outside (A), Inside (B), or NA]	Inside(B)
Incremental or Total Fiscal Disparities	Incremental
Fiscal Disparities Contribution Ratio	34.9213% Pay 2018
Fiscal Disparities Metro-Wide Tax Rate	145.0950% Pay 2018
Maximum/Frozen Local Tax Rate:	125.191% Pay 2018
Current Local Tax Rate: (Use lesser of Current or Max.)	125.191% Pay 2018
State-wide Tax Rate (Comm./Ind. only used for total taxes)	43.8650% Pay 2018
Market Value Tax Rate (Used for total taxes)	0.21951% Pay 2018

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000		1.50%
Over \$150,000		2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$121,000		0.75%
Over \$121,000		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000		1.00%
Over \$500,000		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Non-Homestead		1.00%

BASE VALUE INFORMATION (Original Tax Capacity)

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1				1,753,500	6,674,000	8,427,500	100%	8,427,500	Pay 2018	C/I Pref.	167,800	C/I Pref.	167,800	1
2				999,000	0	999,000	100%	999,000	Pay 2018	C/I	19,980	C/I	19,980	2
				2,752,500	6,674,000	9,426,500		9,426,500			187,780		187,780	

Note:

1. Base values are for taxes payable in 2018 based upon review of County website referencing Estimated Market Values on August 22, 2018.



Project Surf Redevelopment Project - New TIF District
 City of Little Canada, Minnesota
 Proposed Office/Production/Warehouse/Storage/Distribution Facility

PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2019	Percentage Completed 2020	Percentage Completed 2021	Percentage Completed 2022	First Year Full Taxes Payable
1	Industrial	11,426,500	11,426,500	1	11,426,500	C/I Pref.	227,780	227,780	100%	100%	100%	100%	2021
TOTAL					11,426,500		227,780						
Subtotal Residential				0	0		0						
Subtotal Commercial/Ind.				1	11,426,500		227,780						

Note:

1. Market values are based upon estimates from County Assessor on September 20, 2018 i.e., property value will increase by \$1.5M to \$2M once the cooler conversion is completed.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Industrial	227,780	79,544	148,236	185,578	115,414	99,916	25,082	425,990	425,990.45
TOTAL	227,780	79,544	148,236	185,578	115,414	99,916	25,082	425,990	

Note:

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, fiscal disparities, state law and other factors which cannot be predicted.

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	425,990
less State-wide Taxes	(99,916)
less Fiscal Disp. Adj.	(115,414)
less Market Value Taxes	(25,082)
less Base Value Taxes	(152,989)
Annual Gross TIF	32,589

MARKET VALUE BUT / FOR ANALYSIS	
Current Market Value - Est.	9,426,500
New Market Value - Est.	11,426,500
Difference	2,000,000
Present Value of Tax Increment	216,829
Difference	1,783,171
Value likely to occur without Tax Increment is less than:	1,783,171



Project Surf Redevelopment Project - New TIF District
 City of Little Canada, Minnesota
 Proposed Office/Production/Warehouse/Storage/Distribution Facility

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.36%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
							-	-	-	-	-			08/01/20
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	13,470	0.5	2021	08/01/21
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	26,580	1	2021	02/01/22
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	39,339	1.5	2022	08/01/22
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	51,756	2	2022	02/01/23
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	63,841	2.5	2023	08/01/23
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	75,602	3	2023	02/01/24
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	87,049	3.5	2024	08/01/24
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	98,189	4	2024	02/01/25
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	109,032	4.5	2025	08/01/25
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	119,584	5	2025	02/01/26
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	129,853	5.5	2026	08/01/26
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	139,848	6	2026	02/01/27
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	149,575	6.5	2027	08/01/27
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	159,042	7	2027	02/01/28
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	168,256	7.5	2028	08/01/28
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	177,223	8	2028	02/01/29
100%	227,780	(187,780)	(13,969)	26,031	125.191%	32,589	16,295	(59)	(1,624)	14,612	185,950	8.5	2029	08/01/29
							16,295	(59)	(1,624)	14,612	194,443	9	2029	02/01/30
Total							293,302	(1,056)	(29,225)	263,021				
	Present Value From 02/01/2020	Present Value Rate	5.50%				216,829	(781)	(21,605)	194,443				

CITY OF LITTLE CANADA, MINNESOTA

RESOLUTION NO. 2018-9-

RESOLUTION REGARDING THE SUPPORT OF A JOB CREATION FUND APPLICATION
IN CONNECTION WITH BIX PRODUCE

WHEREAS, the City of Little Canada, Minnesota (the "City"), desires to assist Bix Produce, a warehouse/distribution business, which is proposing to construct a facility in the City; and,

WHEREAS, the City of Little Canada understands that Bix Produce, through and with the support of the City, intends to submit to the Minnesota Department of Employment and Economic Development an application for an award and/or rebate from the Job Creation Fund Program; and,

WHEREAS, the City of Little Canada held a City Council meeting on September 26, 2018, to consider this matter.

NOW, THEREFORE, BE IT RESOLVED that, after due consideration, the City Council of the City of Little Canada, Minnesota, hereby express their approval of the project proposed by Bix Produce and its application for an award and/or rebate from the Job Creation Fund Program.

Sworn and Executed Under My Hand this 26th day of September, 2018.

John T. Keis, Mayor

ATTEST:

Christopher Heineman, City Administrator



Sewer Availability Charge (SAC) 2018 MAJOR CREDIT TRANSFER

Department of Employee and Economic Development (DEED) Checklist

Business Name: BIX Produce

Current Site Address & City: 1415 L'Orient Street, St. Paul

Future Site Address & City: 3060 Centerville Road, Little Canada

Questions:

- Is this a Permitted Industry through MCES Industrial Waste Division?
 - No
 - Yes, Permit Number 1297
- Does the current location have 50 or more full-time equivalent (FTE) jobs?
 - No
 - Yes, Number of Full-Time Employees (FTE) 384
- Who owns the real estate at the business's current location?
 - This business owns the real estate at the current location.
 - This business is a *tenant* of the property owner and has the approval to transfer SAC credits to a new location.

DEED hereby states that this credit transfer is a significant statewide economic development issue and requests that the Metropolitan Council allows the transfer of SAC credits from one location to another. The State is providing other economic incentives, among which include:

* * * * *

I hereby certify that I have read and understood this form and that the answers are true to my knowledge and belief. I understand that "but for" DEED providing a benefit package and the approval of the SAC Credit Transfer, we believe that the current business will move out of state.

Print Name of DEED Commissioner: _____

Signature of DEED Commissioner: _____

Date: _____



Sewer Availability Charge (SAC) 2018 MAJOR CREDIT TRANSFER Current Site Customer Community Form

Current Site City Name: St. Paul

Future Site City Name: Little Canada

Business Name: BIX Produce

Current Site Address: 1415 L'Orient Street

Future Site Address: 3060 Centerville Road

Questions:

1. What is the number of potential SAC units to transfer (as determined by MCES)?
90 SAC
2. What is the number of actual SAC units the City will agree to transfer?
 SAC
3. What is the number of City-Wide Credits the City will transfer?
 SAC Not Applicable

* * * * *

I hereby certify that I have read and understood this form and that the answers are true to my knowledge and belief. I further understand that by transferring these SAC credits we are giving up reserved capacity in the Metropolitan Disposal System for this location and that this transfer of SAC credits is irrevocable. I understand that if redevelopment of this site requires more SAC units than what remain after the transfer, our City will be required to pay SAC for the difference at the current SAC rate at the time of the development.

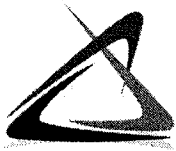
Print Name of Government Official: _____

Title of Government Official: _____

MUST be City Administrator/Manager or Finance Director

Signature of Government Official: _____

Date: _____



**Sewer Availability Charge (SAC)
2018 MAJOR CREDIT TRANSFER
Future Site Customer Community Form**

Current Site City Name: St. Paul

Future Site City Name: Little Canada

Business Name: BIX Produce

Current Site Address: 1415 L'Orient Street

Future Site Address: 3060 Centerville Road

Questions:

1. What is the number of transferred SAC units accepted by the City (as approved by MCES)?

_____ SAC

2. What will be the type of permit issued to activate the SAC Credit Transfer?

City will report project to MCES on the current Monthly SAC Activity Report at the time of permit issuance.

- Certificate of Occupancy
- Utility Connection Permit
- Building Permit
- Other, please specify _____

* * * * *

I hereby certify that I have read and understood this form and that the answers are true to my knowledge and belief. I further understand that by transferring these SAC credits we are giving up reserved capacity in the Metropolitan Disposal System for this location and that this transfer of SAC credits is irrevocable. I understand that if redevelopment of this site requires more SAC units than what remain after the transfer, our City will be required to pay SAC for the difference at the current SAC rate at the time of the development.

Print Name of Government Official: _____

Title of Government Official: _____

MUST be City Administrator/Manager or Finance Director

Signature of Government Official: _____

Date: _____



STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Chris Heineman, City Administrator
Sharon Provos, Finance Director

DATE: September 26, 2018

RE: Conduit Debt

As stated in the Friday Update, the City of Little Canada has received a request from Presbyterian Homes (the “Borrower”) that the City act as the conduit issuer for two bond issuances – one in 2018 and one in 2019 – for a project located in the City of Roseville. Finance Director Sharon Provos and I had a conference call with an attorney from Briggs and Morgan (Catherine Courtney) on Thursday, and I received a formal letter of request on Friday afternoon. A copy of the memo from Catherine Courtney is attached for your review.

If the City Council is interested in pursuing this opportunity, staff can be directed to work with attorneys from Briggs and representatives from Northland Securities to prepare official documents for consideration and approval at a future City Council meeting.



2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
OFC 612-977-8400
FAX 612-977-8650
URL Briggs.com

MEMORANDUM

BY EMAIL

TO: Chris Heineman, City of Little Canada City Administrator
FROM: Catherine J. Courtney
DATE: September 21, 2018
RE: Request from Presbyterian Homes for the City to Act as Conduit Issuer

The City of Little Canada has received a request from Presbyterian Homes (the “Borrower”) that the City act as the conduit issuer for two bond issuances – one in 2018 and one in 2019 – for a project located in the City of Roseville. The issue in 2018 would be approximately \$10,000,000 to \$11,000,000 and would be used to demolish the Langton Place care center in Roseville and construct a new 50-bed care center in its place. The issue in 2019 would be approximately \$35,000,000 for the purpose of refinancing the 2018 issue and to construct a town center and adjacent 80-unit senior housing facility. This expanded Langton Place campus will be located on County Road D in Roseville.

The Borrower would like the ability, should the 2018 issue not exceed \$10,000,000, to designate the 2018 Bonds as bank-qualified. It also would prefer to use a single issuer, rather than two. The issuance of the 2019 Bonds would mean that the issuer could not issue its own bank-qualified bonds (although it could still issue non-bank-qualified bonds). Roseville expects to issue bonds for its own purposes in 2019 that it wants to designate as bank-qualified. Therefore, Roseville prefers not to act as the conduit issuer in this transaction. It is willing to give host approval and allow another city to act as issuer.

It is my understanding that the City has not issued any governmental or other 501(c)(3) bonds in 2018 and, therefore, would be able to designate the 2018 Bonds as bank-qualified, should they not exceed \$10,000,000. As noted, the issuance of the 2019 Bonds would eliminate the City’s ability to designate its own governmental bonds (or another 501(c)(3)’s bonds) as bank-qualified in 2019. It is my understanding that the City currently does not have plans to issue any such bonds in 2019, although it could issue bonds that do not necessitate designation as bank-qualified.

The City has acted as conduit issuer for the Borrower in other transactions in the past. Most recently in 2014.

The City would receive an issuer’s fee of ¼ of 1% of approximately \$35,000,000, for a total of approximately \$87,500.



The 2018 Bonds would be issued by the end of this year. The 2019 Bonds would be issued in the fall of 2019.

The Bonds, as issued, shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property or funds of the City except the revenues and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds will recite in substance that the Bonds, including interest thereon, are payable solely from the revenue and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Briggs and Morgan will act as the City's bond counsel and Northland Securities will act as the underwriter for both transactions.

I understand that you will present this to the City Council at the meeting on September 26th. If the City Council is agreeable to act as conduit issuer, the transaction will proceed fairly quickly after that in order to be able to close the 2018 Bonds by the end of the year.

Please feel free to contact me if you have additional questions or comments. I can be reached at 612-977-8765 or ccourtney@briggs.com.