



STAFF REPORT

TO: Mayor Keis and Members of City Council

FROM: Chris Heineman, City Administrator

DATE: November 28, 2018

RE: Public Hearing on the Modification to Development District No. 7 and the establishment of Tax Increment Financing District No. 7-2 and consideration of a Resolution approving the Program Modification and TIF Plan.

The City of Little Canada has been working with representatives from the Minnesota Department of Employment and Economic Development (DEED) and Commercial Real Estate Broker CBRE on a proposed business expansion project in Little Canada. A local produce delivery company (BIX Produce Company) is working to acquire an existing facility on Centerville Road in Little Canada as part of a planned expansion. The proposed development consists of the acquisition of the approximately 207,000 square-foot (SF) Slumberland distribution facility located in the SE quadrant of 35E and 694 on two parcels of land. An Economic Development TIF District is being proposed to facilitate an expansion of the company's food processing and distribution capabilities and accommodate growth.

The proposed project will relocate approximately 400 existing jobs and create 160 net new positions over the next five years. The project has received a Minnesota Job Creation Fund award through the MN Department of Employment and Economic Development (DEED). The project will require an investment of approximately \$25M to acquire the existing facility, up-fit the building to food-grade standards and furniture, fixtures, equipment and IT. The proposed improvements include approximately 60,000 SF of refrigerated, cooler and freezer space; 91,000 SF of storage, dock and maintenance; 26,000 SF of processing; and 20,000 SF of office space.

The developer is considering a purchase of 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 analysis from Ehlers Financial Advisors, the project will generate an estimated \$32,588 in annual tax increment.

Minnesota Statutes require the Planning Commission to review the proposed plan and program to determine if it conforms to the general plans for development for the City as described in the Little Canada Comprehensive Plan (Minnesota Statutes, Section 469.175, Subd. 3). The Planning Commission met on Thursday, November 8th and approved the attached Resolution. The Planning Commission considered the current zoning and guidance from the Little Canada Comprehensive Plan in making this determination. Both the 2030 & 2040 Comprehensive Plans identify this area as an Industrial Land Use based on the following Goals and Policies:

Goals:

1. Promote continued industrial development in order to expand the local employment base and opportunities within Little Canada.
2. Provide industrial development areas that attract businesses and offer employment opportunities for Little Canada residents.
3. Provide opportunities and mechanisms for reinvestment in established industrial areas and redevelopment of targeted areas.
4. Ensure that opportunities exist for business expansion and growth within the City in order to retain key businesses and preserve the industrial tax base.

Policies:

1. Continue to maintain the City's industrial tax base to assist in paying for needed services and in reducing tax impact on residential land uses.
2. Existing industrial uses shall be retained and new industrial development shall be encouraged to locate in existing industrial parks and industrially zoned areas.
3. Encourage industrial site designs that integrate the facility with natural features of the land and provide an aesthetically attractive appearance.
4. Outside storage of equipment and materials shall be screened and landscaped to eliminate any visual impact.
5. Existing industrial development and new industrial development shall not cause pollutants or contaminants to be emitted into the surrounding environment in excess of state and federal regulations.
6. An aesthetically pleasing environment free from excessive outdoor storage shall guide the physical development of the northwest quadrant of the City.

Staff and representatives from Ehlers will be in attendance at the City Council meeting to explain the proposed Economic Development TIF District and answer any questions you may have. The City Council is asked to conduct a public hearing and consider adopting a Resolution approving the Program Modification and TIF Plan. The following documents are attached for your review:

- Summary of TIF Plan
- TIF Plan
- City Council Adopting Resolution
- Interfund Loan Resolution