

Harmony EDA Minutes

November 7, 2019
7:30 AM

Council Room
Community Center

Present: Chris Skaalen, Steve Donney, Andy Batstone, Kerry Kingsley, and Steve Sagen

Also Present: Brent Drenckhahn, Brett Grabau, Ron Zeigler, Jerome Illg, and Chris Giesen

The regular meeting was called to order at 7:34 AM by Chris Skaalen

Before the meeting, Giesen passed around a card from Aaron and Amy Bishop thanking the EDA and staff for help with their business loan last month.

Minutes

The board reviewed the minutes of the October 3, 2019 meeting. Motion by Kingsley, second by Donney to approve the minutes as presented. Motion carried unanimously.

Financial Reports & Claims

The board reviewed the loan portfolio and the new home rebate ledger. All loans were current. Motion by Sagen, second by Kingsley to approve the financial report. Motion carried unanimously.

Batstone entered the meeting at 7:36 AM.

CEDA

Ron Zeigler, President/CEO of CEDA was in attendance to say hello and thank you to the board for their many years of support. He stated that should there ever be any questions or issues, board members can always reach out to him in addition to or in place of CEDA staff Chris Giesen. The board relayed to Zeigler that everything was going well and in reply thanked him for CEDA's support.

Dairyland Project Update – 2nd Ave Extension

Giesen reported that the Dairyland project is moving along very quickly now and that several layers of approvals will need to begin. First, the board will need to consider the infrastructure improvements, then hold a hearing to authorize a purchase agreement with Dairyland (which is later on this agenda). Then, the board will need to have the property annexed, platted, and zoned properly. After that, a TIF district will need to be created as well as have the city and Dairyland enter into a business subsidy agreement. After these items are complete, the final development agreement can be considered for approval so that the Dairyland project can move forward.

Brett Grabau, the city engineer with the firm Stantec presented a proposal for design and construction services related to the 2nd Ave NE extension project for the Dairyland project. Giesen explained that prior to the public hearing to consider the purchase agreement, the board should understand its development costs and ask the city engineer any questions they might have. Grabau discussed the proposal for services, which totaled

\$105,921.90 for construction plus an additional \$31,311.31 for design, construction, and supplemental services tied to this project. He discussed that this proposal would extend water, sewer, and road 225' to the Dairyland project. He also asked the board to consider building a narrower street in this project as this project would only build 225' of road, which would dead end with the Dairyland project. He said it would save on construction costs and future maintenance. He also said that the board should decide how the project would handle storm water. He stated that the current pond is sized to handle all the storm water for the industrial park, but that it was recently discovered that it wasn't functioning correctly. Considering that state storm water permits will require Dairyland to treat their storm water, he recommended that the board correct the issues with its pond. He also recommended that because of the future layout of lots near the pond, that the configuration of the pond should be changed to allow the future 1st Ave NE extension to run straight north because as of now, a future street would need to jog around the pond.

Brent Drenckhahn of Dairyland Power Cooperative was also present. He said that the additional storm water treatment cost was not included in their project budget. Grabau stated that the cost upgrading the pond would be approximately \$10,000 but that excess soil and clay the EDA owns that is currently on the proposed Dairyland site would also need to be removed with the Dairyland project and that cost might be about \$3,000. However, this material could also be used for the pond upgrade. Batstone reasoned that since the excess material owned by the EDA needed to be moved anyway as well as that the pond should be fixed and could be used for further business expansion that the board should include the pond upgrade expenses in the EDA 2nd Ave NE extension project costs. The board concurred.

The board also discussed the proposed street width. The question was whether or not the new section of 2nd Ave NE needed to be as wide as the existing section. Skaalen thought that the street should be the same width as the existing section because we don't know what will develop to the east and there might be issues with making turns at the Industrial Boulevard intersection. Grabau assured the board that they could design the Industrial Boulevard intersection to accommodate large truck and semi turns even with a narrower street. He also stated that a narrower street in this instance makes sense because the road will only really serve the Dairyland property. A narrower street will cost less to build and maintain. The board asked Drenckhahn if there were any issues from his perspective on this question. He said the width was not an issue as long as big trucks and semis could make the turn at the Industrial Boulevard intersection. Drenckhahn also asked Grabau if the road construction could handle Dairyland's bigger truck weights. Grabau replied that it depends on many factors but that this road will be built similar to state aid highways and that it will be capable of handling Dairyland's trucks.

Motion by Donney, second by Kingsley to approve accepting an amendment to the engineering proposal to reduce the width street of the proposed for the 2nd Ave NE extension per the city engineer's recommendation. Motion carried unanimously.

Motion by Donney, second by Skaalen to approve accepting an amendment to the engineering proposal to include costs for upgrading the storm water pond as discussed, at the EDA's expense. Motion carried unanimously.

Motion by Skaalen, second by Sagen to approve the proposal for design and construction services from Stantec with the approved amendments and to proceed with the 2nd Ave NE project as discussed and amended. Motion carried unanimously.

Public Hearing: Sale of Real Estate to Dairyland Power Cooperative

Skaalen opened a public hearing at 8:26 AM for the consideration of the sale of real estate to Dairyland Cooperative. The proposed purchase agreement was to sell approximately 8.5 acres to Dairyland Power Cooperative for \$1 for the purpose of building a maintenance facility with a transaction closing date of May 31, 2020 or sooner. The agreement would be contingent upon a mutually agreeable development agreement that would contain the following material terms:

City/EDA agrees to:

1. Sell approximately 8.5 acres to Dairyland Power for \$1.
2. Closing date for purchase on or before May 31, 2020.
3. At no cost to Dairyland Power, extend asphalted 2nd Ave NE, water, and sewer to the south line of the property to be sold, along with extending electrical services to the meter of the building. Construction of such extensions starting in 2020.
4. Provide adequate storm water retention within the Harmony Industrial Park, unless Dairyland Power is required to in accordance with National Pollutant Discharge Elimination System (NPDES) permit.
5. Restrict the continuous parking of semi tractors, trailers, and any combination thereof on the Harmony Industrial Park streets.
6. Establish a tax increment financing district (TIF) for the benefit of the project.
7. Approve a business subsidy agreement between the City/EDA and Dairyland Power, if applicable.
8. Annex and properly plat and zone property, where applicable.
9. Make every effort to move forward with approvals in a timely fashion.

Dairyland Power agrees to:

1. Agree to build the proposed facility by December 31, 2022 which must have a taxable value of at least \$(TBD according to TIF projections).
2. Extend water, sewer, and gas from the south property line to be purchased to the building site at Dairyland's sole cost.
3. Abide by the Minnesota Business Subsidy Law, if applicable, which includes items such as a public hearing, job and/or wage goals, and annual reports until the goals are met.
4. Pay the following development fees:
 - a. Zoning Permit - \$200
 - b. Water Connection - \$300
 - c. Sewer Connection - \$500
 - d. Electric Connection - \$500
 - e. MPCA Storm Water – TBD, up to developer to acquire from State of Minnesota.

The terms above were memorialized in memorandum of understanding dated October 31, 2019. Giesen noted that these terms were agreeable to Dairyland.

Asking for public comment three times and hearing none, Skaalen closed the public hearing at 8:54 AM.

Consider Sale of Real Estate to Dairyland Power Cooperative

The board discussed the purchase agreement and memorandum of understanding at length. Consensus was that this would be an exciting project for the community. Motion by Skaalen, second by Batstone to approve the purchase agreement and memorandum of understanding as presented. Motion carried unanimously.

The board thanked Dairyland for their interest in building this project in Harmony and expressed their excitement to proceed. Drenckhahn thanked the board and said that he appreciated its help with this complex project. He also asked how the board would like to handle temporary access during construction, as 2nd Ave will likely be under construction at the same time and the ground may be wet or soft in the spring. Consensus was that access could be given to the Dairyland site during construction from any EDA owned property. Drenckhahn said Dairyland would use fiber mats if the ground was soft or wet. The board concurred this was a good idea.

New Industrial Park Land

Illg mentioned that he had started the annexation process with the township in regards to the newly purchased Kiehne farm addition to the industrial park. Giesen said that as owners of the property, the board should formally request annexation of the parcel. Motion by Batstone, second by Kingsley to request that the City of Harmony annex the property adjacent to the industrial park that was recently purchased from Kiehne Family Farms, LLC. Motion carried unanimously.

Giesen mentioned that there is currently a fence line running between the current industrial park and the new industrial park property. Consensus of the board was to request that public works remove the fence when it is convenient for them. The board also agreed that some kind of planting should occur to cover the bare farmland, preferably some kind of grass like the other areas of the undeveloped industrial park. The board requested that staff contact Dairyland and see if the EDA can piggyback on whatever effort Dairyland might use to restore disturbed ground on its new parcel.

It was also mentioned that new pricing and covenants may be needed in the industrial park given the new investments the board is undertaking with the Dairyland project. Consensus of the board was to wait until final infrastructure costs are known and then adjust the lot pricing accordingly. It was also agreed that the board would only consider sales to projects that added value to the industrial park relative to investments it has and will make, and that as such projects that create minimal impact like self-storage facilities would not be considered for potential buyers.

Illg mentioned that the board should consider hiring Mike Bubany of David Drown Associates to set up the tax increment financing (TIF) district for the Dairyland project to get that portion of the approvals moving. The board concurred. Motion by Skaalen, second by Donney to hire Mike Bubany to set up the TIF district for the Dairyland project. Motion carried unanimously.

2020 CEDA Contract

Giesen presented the proposed 2020 contract for economic development staffing services from Community and Economic Development Associates (CEDA). He said that the current level of service, one day per week with an extra day per month, would have an annual cost of \$31,202 which is a 3% increase from 2019. He also noted that the same contract terms as previous years still applied. Motion by Donney, second by Batstone to approve the contract as presented. Motion carried unanimously. The board thanked Giesen for his service.

Chamber of Commerce Report

There was no update from the chamber this month.

Prospects/Community Update

The board reviewed the current status of Experience Harmony II goals, Giesen gave an update on the status of the bike trail process, and the board reviewed the latest CEDA grant report. Giesen said that the bike trail grant process has had some hurdles put in the way, but that he and Greg Schieber were working through everything and that the purchase of the properties for the trail corridor were expected soon.

Other Business

Illg updated the board on the status of the splash pad project.

Giesen mentioned that the EDA annual report may be a month or two late this year given the timing of the Dairyland project, the grant and loan applications and other approval items will take a considerable amount of time.

Consensus of the board was that if required, they would be willing to hold special meetings to accommodate the Dairyland project approvals.

Kingsley presented the board with a letter to the editor about a Dollar General project in a nearby town. The board discussed. Consensus of the board reaffirmed their sentiment that such a project would not be a fit for Harmony.

Donney asked about a prior discussion on a local option sales tax. The board held a general discussion on the topic. No action was taken, but Giesen said he would forward some additional information to the board. The board left the conversation open for possible future discussion.

Hearing no objections, Skaalen adjourned the meeting at 10:05 AM.

The next regular meeting is scheduled for December 5, 2019 at 7:30 AM, at the Community Center.