



South St. Paul

WORKSESSION AGENDA
SSP City Hall
125 3rd Avenue North
Training room

Monday, August 26, 2024
7:00 pm

AGENDA:

1. Programs to Assist with Ash Tree Removal on Private Property
2. Wakota Crossing Discussion
3. Croatian Hall Improvements – EDA Short-Term Loan
4. Council Comments & Questions



CITY COUNCIL WORK SESSION REPORT

DATE: AUGUST 26, 2024

DEPARTMENT: Planning/ Engineering

Prepared By: Monika Miller, Associate Planner

1

AGENDA ITEM: Potential Programs to Assist with Removal of Ash Trees on Private Property

DESIRED OUTCOMES:

- Review 3 potential programs to help South St. Paul residents remove dead or dying ash trees on their private property.
- Discuss the role of special assessments related to potential tree removal programs.
- Provide staff with direction on whether to pursue any of the potential programs.

OVERVIEW:

Background

Emerald Ash Borer, a small invasive beetle, has killed countless public and private ash trees throughout Minnesota. Emerald Ash Borer (EAB) larva eat the inner bark of an ash tree which kills the tree's circulatory system, preventing it from being able to transport food and water. Most ash trees die within 2 to 5 years of the initial infestation. EAB was first found in South St. Paul in 2017. In 2023, the City spent a significant amount of money to remove all of the remaining public ash trees that were located in parks, boulevards or other public spaces. Ash trees made up about 1/3 of South St. Paul's tree canopy and all of these trees were infested with EAB. These infested trees posed a large public safety risk which is why the City aggressively pursued their removal.

Since the City has removed all of its public ash trees, staff and several council members have received emails from residents looking for financial assistance with removing ash trees that are on their private property. The average cost to remove one ash tree is between \$2,000 and \$5,000, depending on factors such as tree size, location on the property, and proximity to overhead powerlines. This cost can easily equal or exceed an individual's yearly property taxes, especially if a homeowner needs to remove several trees. While the exact number of private ash trees is not known, it is reasonable to assume that about 1/3 of the trees on private properties are ash trees, meaning that there is likely a high number of private ash trees that need to be removed.

South St. Paul is not the only community that is wrestling with how to help residents that are unable to afford taking down their private ash trees. Several other communities have set up various programs to reduce the financial burden that comes with removing private ash trees. Staff had conversations with several other communities and a contractor to understand how these programs work in other communities and how a similar program could work in South St. Paul.

Special Assessments in Conjunction With Potential Programs

Staff suggest utilizing special assessments as a tool in conjunction with any future program to ensure the program's effectiveness. Special assessments are a charge imposed on properties for a particular improvement that benefits the property owner. Special assessments are commonly used by the Engineering Department to help homeowners pay for their assessed portion of a road project or with replacing their lead service line. If a

homeowner is unable to pay for an assessment up front, the special assessment payment can be deferred so that the payments are made over time. In the case of a deferred special assessment, the assessment is added to the property's yearly property taxes for a set amount of time. State Statute allows special assessments to be deferred for up to 30 years; however, South St. Paul has historically only allowed special assessments to be paid over a period of 5 or 10 years. Interest is charged on the assessment. The City currently has a 5% interest rate for deferred special assessments for road projects. Minnesota Statute 429.101, sub. 1 (a)(6) authorizes cities to use special assessments to remove insect infested and diseased trees on private properties. In order to be able to utilize the special assessment process in conjunction with any of the proposed ash tree removal programs, the City would need to update its special assessment ordinance. Staff is prepared to facilitate this ordinance amendment.

Potential Programs

Staff is interested in getting City Council feedback on voluntary programs where the City works with residents who want to take down a dead ash tree on their property. The following programs are based on tree removal programs in other communities.

1. Tree Removal Through a Designated Contractor

In this scenario, the City would have a designated contractor that residents could work with to handle ash tree removals on private property at a slight discount due to the large number of customers. If a homeowner suspects they have an ash tree, they could call the City's designated contractor who would confirm the tree is an ash tree and offer the homeowner a discounted rate for the removal. If the homeowner is able to afford the removal on their own, they would schedule the tree removal with the designated contractor and pay them directly.

If a homeowner is unable to pay for the tree removal upfront, the homeowner would reach out to the City to request a special assessment for the cost of the tree removal. The City would go through the special assessment process and then send the designated contractor to remove the ash tree(s). The contractor would send the City an invoice for the work, the City would pay the invoice, and the cost would be recouped over time through the special assessment.

Things to keep in mind with this program:

- ❖ Most contractors are willing to offer a small discount (~ 10%) with a bulk removal contract.
- ❖ Some contractors are willing to offer additional incentives to utilize their service.
 - Tree Trust has shared they could offer a 10% discount on tree removal and would offer homeowners an inexpensive 10-gallon tree(s) to replace the removed tree(s).
 - Some contractors are also willing to offer a sliding scale discount depending on the number of people that sign up. For example, if 200 people signed up to have their trees removed, a contractor might offer a 20% discount instead of a 10% discount.
- ❖ Any contractor that would take part in a City program will want assurances that they would receive payment for the work. Being able to utilize special assessments for situations where homeowners are unable to afford tree removal on their own provides the assurance that most contractors are looking for.
- ❖ This program would benefit both individuals that cannot afford to remove their existing ash trees and individuals that can afford to remove their private ash trees but have put it off due to the cost.

2. Special Assessment + Tree Removal Through Homeowner's Contractor

In this scenario, a homeowner knows that they have an ash tree or several ash trees on their private property that they cannot afford to take down. The homeowner will reach out to the City to let them know that they have an

ash tree and would like to enroll in the program. The homeowner would obtain three quotes from three different tree contractors and bring the quotes to the City. The homeowner and the City would then enter into a special assessment contract to have the city pay for the removal and then have the cost assessed to the homeowner's property taxes. The homeowner would be required to select the contractor with the lowest quote. The contractor would send the invoice to the City for payment. The City would inspect the work the contractor did and if the work is satisfactory, the City would pay the invoice. The homeowner would then have the cost of the removal added to their taxes as a special assessment.

Things to keep in mind with this program:

- ❖ This program would require staff time to administer. Each application is expected to take about 5-10 hours to administer.
- ❖ The City should inspect a contractor's work to ensure the work is fully completed and no private property was damaged during the tree removal. A staff member would need to be designated to handle these inspections.
- ❖ Individuals that have run a similar program advised that most homeowners would not utilize this program unless they cannot afford to take down their ash trees. Many homeowners do not want to be subject to the interest rates and additional fees related to special assessment as this will cost them more in the long. This program would likely be utilized by individuals that have no other options.
- ❖ This program would benefit individuals that cannot afford to remove their private ash trees.

3. City Grant for Tree Removal

In this scenario, a homeowner would apply for a city grant to have their ash trees removed. The grant program would have a maximum award amount as well as an income cap to ensure that the program is only utilized by residents with the greatest need. Each grant would be approved by the City Council. The grant application would ask for information such as an individual's income and the number of ash trees on their property. If a homeowner is approved for a grant, the homeowner could either utilize the City's designated contractor or get three quotes and select the lowest bidder. The contractor would remove the tree(s) and send the invoice to the City for payment. The City would inspect the work the contractor did and if the work is satisfactory, the City would pay the invoice. The homeowner would not be required to pay the cost back to the City as the program would be structured as a grant.

Staff cannot recommend offering a program like this without having a designated outside funding source. While independent funding sources are fairly rare, the DNR will likely be offering a grant later this year or next year that would make a local program like this possible. The grant is called the Releaf Grant and was offered by the DNR in 2023. This grant, unlike the other tree grants South St. Paul has received from the DNR, can be used to remove ash trees that are on private property. The DNR will require that a new tree be replanted on each private property where a tree is removed. South St. Paul applied for this grant in 2023 and did not receive it. There is no guarantee that South St. Paul will be selected for funding through the DNR's ReLeaf Grant if and when the grant reopens.

Things to keep in mind with this program:

- ❖ This program should not be pursued without a dedicated, outside funding source.
- ❖ This program would be the most time intensive for staff and the cost of staff time would likely not be recouped through an outside funding source, even if the City were to receive a grant to make the program feasible.
- ❖ This program would benefit individuals that cannot afford to remove their existing ash trees.

Additional Items to Consider

As the City Council considers potential programs, there are several other factors related to the scope of the potential projects that should be discussed. These topics include:

- Removal of Just Ash Trees Versus Other Disease Shade Trees

Many cities that offer assistance with tree removal limit the scope of the assistance to just ash trees due to the sheer number of ash trees that need to be removed. Some cities that offer programs similar to Option 1 encourage homeowners to make arrangements with the designated contractor if they wish to have a diseased, non-ash tree removed. Other cities are willing to have any type of diseased shade tree be removed through their program. The City Council should discuss if the scope of the programs should be limited to ash tree removal or if it should include the removal of other types of shade trees on a case-by-case basis.

- Residential Only Versus Residential + Commercial Program

Diseased ash trees are not limited to just being on public or residential property. If you drive around town, it is easy to see that there are several commercial properties that also have diseased or dead ash trees on them. Removing these dead ash trees can be as burdensome for a small business as it is to a homeowner. The City Council should discuss whether it would be appropriate for a commercial entity to be able to utilize the potential programs to help them maintain their property.

- Voluntary Versus Mandated Program

There are some communities (Burnsville, Lakeville, and Minnetonka) that have taken a more aggressive approach and have deemed all infested ash trees within city limits to be a public nuisance. These communities have dedicated significant funds to hiring trained arborists who enter all private properties and condemn any tree that is found to be an infected ash tree. They then proceed to abate the trees as a public nuisance if the owner does not voluntarily remove the tree.

South St. Paul does not have sufficient “in-house” staffing to undertake this type of program and no existing City employees are trained as arborists. While the City could certainly explore what it would cost to hire contractors to inspect private yards and condemn ash trees, Staff believe that offering a voluntary program would be the better option. A voluntary program could be implemented successfully with existing staffing levels.

DIRECTION NEEDED

Staff is looking for direction from the City Council about whether to pursue any of the above listed programs. If so, which of the above listed programs. Additionally, staff is looking for feedback on whether to limit the program to just ash trees or include all diseased shade trees, and whether the programs should be open to commercial properties.

SOURCE OF FUNDS: Special Assessments. The DNR’s ReLeaf grant program could help fund a local grant program for tree removal on private property, but this funding is not guaranteed.



AGENDA ITEM: Wakota Crossing Development Discussion

DESIRED OUTCOMES:

- Briefly review the Wakota Crossing Industrial Vision and Plan
- Briefly review the known conditions impacting development potential of the EDA-owned site within the Wakota Crossing area
- Summarize the grants available to assist in redevelopment of the site, and receive Council direction as to whether and how to proceed with the actions supported by the grants
- Discuss alternative development approaches for the EDA-owned site, and form consensus around a preferred approach

OVERVIEW:

After collaborating for more than two years with Capital Partners Development on an opportunity to develop an approximately 15-acre vacant EDA-owned property south of I-494 and east of Hardman Avenue as a light-industrial business center, in July 2024 a preliminary development agreement was mutually terminated, ending that particular development pursuit. While discouraging to see a potential development partner turn away from the opportunity, Staff feels it is important to take stock of the progress made in pursuit of the development and determine the EDA's/Council's desired course of action in the near- and long-term.

DISCUSSION:

Wakota Crossing Industrial Vision and Plan (See "Concept Plan" on next page)

In 2018 and 2019, the City and EDA commissioned a study of the development potential for an approximately 50-acre area of the City located north of the Kinder-Morgan/Holcim Dakota Bulk Terminal, south of I-494/Wakota Bridge, between Hardman Avenue and the Mississippi River. This study was intended to gain a better understanding of site conditions to inform an optimized Industrial Development Scenario that would maximize potential employment and property tax base benefits to the City. In short, the motivation for this study was to transform this relatively significant expanse of property from a condition of blight, underutilization, and vacancy into a thriving, dynamic, and diverse business park in the mold of the highly successful "Bridgepoint I – IV" redevelopment of the former Stockyards and Dakota Premium sites. This vision was in keeping with the City's 2030 (and now, 2040) Comprehensive Plan, which guided the site towards Light Industrial Development. As such, upon completion of the Study, Staff began to focus on implementing that vision through additional site diligence and identification of partnerships to foster the creation of the Wakota Crossing Industrial Park.

Site Background and Conditions

The EDA-owned site was owned (until the late 1960s) by the City of South St. Paul as a significant parcel within the previous municipal wastewater treatment plant (settling ponds). In the late 1960s, the City conveyed the land to the Metropolitan Sewer Board as wastewater services in the 7-county Twin Cities Metro Region were centralized through this new entity. The original conveyance agreement between the City and the Metropolitan Sewer Board (now Met Council Environmental Services - MCES) obligated MCES to convey any property “no longer needed for regional wastewater” purposes back to the City. The City re-acquired the property as mandated by this agreement in 2023, and in 2024 conveyed the property to the EDA.

Currently and for the past 30 years, Danner, Inc.’s operations have been principally located at 843 Hardman Avenue, the approximately 33 acre property making up the rest of the “Wakota Crossing” site. Most of the property was historically owned by the City of South St. Paul as a municipal wastewater treatment facility (until the late 1960s), while the southwestern portions of the property are believed to have been a waste landfill in the early-mid 20th century. Danner acquired different parcels within the 843 Hardman Avenue property at different times, but the site essentially functions as a very large contractor’s yard with limited office and fuel sales oriented towards Hardman Avenue. The original (~1990) purchase agreement between Danner (as buyer) and the City defined the purpose of Danner’s acquisition and use of the site as one of remediating the land and eventually selling the land for development purposes.

Given our several-years effort to advance redevelopment of this challenging site, we are mindful of numerous site characteristics that will impact development of the EDA-owned site, the most significant of which are summarized below:

- *Soil Conditions* – From 2017 through the present day, a significant amount of soil and groundwater analysis has been conducted within the Wakota Crossing area, providing valuable information about site conditions that will impact the development methods, schedules, and cost of the site. Put simply, there is every expectation that any/all development at the site will require some level of environmental remediation, as well as additional soil correction and/or an engineered solution to address soil conditions that are currently not suitable to support the proposed industrial development. It is worth noting that in support of Capital Partners development proposal, a large amount of clean sand was imported to the site with the intent of using this material to prepare the site for the proposed development. This material is not the “property” of Capital Partners, and with the termination of the Preliminary Development Agreement and License Agreement (which permitted them to do site work activities prior to acquiring title to the site), the rightful “owner” of the material is Designing Earth Contracting (DEC). This is important to keep in mind as we consider our approaches to the development of this site. To be sure, DEC is hopeful to (a) at least partially recover the significant expense they’ve incurred hauling the material to the site and (b) not be “kicked-out” of the site immediately, which would probably force them to scramble to find a new site and would surely result in even more transportation costs. While we have been successful in obtaining a substantial amount of grant assistance to address these issues, as it related to the now-dormant Capital Partners project, the estimated costs related to overcoming the geotechnical deficiencies and environmental conditions at the site (\$6,211,800) amounted to more than 2x the amount of grant funds that the EDA/City received for these

extraordinary challenges (\$3,007,063). These site preparation costs – which are necessary in any development scenario that involves the construction of buildings – amount to more than 26% of total estimated construction costs for their project. In Staff’s experience, that is unprecedented, but indicative of the challenges of this site due to its historic uses (unregulated dumping, sewage treatment ponds) and natural characteristics (floodplain soils, even though the site is now behind the levee and is flood protected).

- *Flowage Easement* – Longer-tenured Council members will recall that the Army Corps of Engineers (ACOE) emerged as a significant player in the FedEx discussions, due to their ownership of an easement over a significant portion of the Danner property for (essentially) the ability to re-route the Mississippi River and flood that site. While ACOE eventually recorded a release of the flowage easement over the Danner property, this encumbrance remains upon the EDA property. ACOE was “at the table” throughout our 2018/2019 MCES study. As authorized by Council in 2023, the City/EDA is actively working with ACOE to finalize the release of flowage easement from the EDA property. Having completed all required tasks and submittals in their process, as of this week we are aware that they are processing the easement release internally, but unfortunately have not received a commitment as to when the process may be complete.
- *Access/Utilities* – Currently, the EDA-owned parcel is “landlocked” as there is no direct frontage on or access to any public street. The 2018/2019 Study identified an opportunity to extend Verderosa Avenue south and eventually west to connect with Hardman Avenue South. Currently, Verderosa terminates at the City’s current compost site, while public sanitary and water infrastructure also terminate generally in the area of the new Wakota Trailhead structure. Communications (phone/internet) and other private utilities (gas, electric services) are also not currently established to or through the site. Additionally, the Union Pacific’s mainline railroad track “cuts off” the site just to the north of the Wakota Trailhead, crossing Verderosa Avenue and at times introducing significant delay as rail cars block this crossing for extensive periods (the longest such delay as measured in June-July 2024 being 25 minutes). Finally, the South St. Paul Levee system makes up the entirety of the EDA property’s southern and western property line/border. The levee should be seen as a “hard” barrier, as ACOE has indicated that any penetrations of the levee (specifically for extension of public or private utilities) would add significant complexity to any development project.

Grant Assistance

Studies and site investigations conducted by the City, Met Council, and Developers over the past several years confirm that the EDA property is challenged by conditions including soil contamination, vapor impacted soils, and geotechnically unsuitable soils, with estimated costs to mitigate these site deficiencies (for the light industrial concept envisioned by the City’s 2019 study and Capital Partners preliminary development plan) exceeding \$6,000,000. Given these challenges, in 2023 and 2024 the EDA applied for and was awarded the following grants:

- DEED Contamination and Cleanup Grant – Awarded **\$1,392,363** (of a total estimated cleanup cost of \$2,917,710) for contaminated soil and vapor remediation in accordance with a Response Action Plan (RAP) that was approved specifically for the development

proposed by Capital Partners in early 2023. This grant was awarded in Summer 2023, and our grant contract with DEED originally required for cleanup work to begin by June 30, 2024. Given the Capital Partners project’s protracted timeline, DEED formally granted the EDA an additional 6 months – through December 31, 2024 – to commence cleanup work in accordance with the approved RAP. It is possible that the EDA could commence soil cleanup actions, however the vapor mitigation costs (about \$350,000 in this grant are eligible) realistically would not be incurred unless and until a building is constructed. It is probably not possible to meet the December 31, 2024 start date deadline, though, so we would need to request another extension from DEED. In discussion with DEED, they felt that given the circumstances, this may be a viable path.

- Metropolitan Council Tax Base Revitalization Account (TBRA) – Awarded **\$814,700** (of a total estimated cleanup cost of \$2,917,710) for contaminated soil and vapor remediation in accordance with a Response Action Plan (RAP) that was approved specifically for the development proposed by Capital Partners in early 2023. This grant was awarded in January 2024, and our grant contract with Met Council requires work on the development project itself to begin by December 31, 2026. There is no firm deadline for commencing the cleanup work within the Grant Contract. Similarly to the DEED Cleanup Grant, it is possible that the EDA could commence soil cleanup actions, however the vapor mitigation costs (about \$150,000 in this grant are eligible) realistically would not be incurred unless and until a building is constructed.
- DEED Redevelopment Grant – Awarded **\$800,000** for extension of utilities/infrastructure and construction of stormwater management improvements (ponding). This grant was awarded in Fall 2023, and our grant contract with DEED requires the eligible work to begin by December 31, 2024. Unlike the Cleanup Grant and the TBRA Grant, our contract with DEED for the Redevelopment Grant includes a clause that states that DEED “...may require that 100% of the Grant amount be repaid by the (City) over a term not to exceed ten years...” for failure to “...substantially provide the public benefits listed in the grant application within five years from the date of grant award.” In other words, if the EDA were to spend DEED’s \$800,000 in Redevelopment funds at the site AND the EDA is unable to compel development at the site by late 2028 that results in the creation of at least 38 new full-time jobs, the retention of at least 34.5 full time-jobs, AND a new property tax payment of at least \$528,521.46, DEED may “claw back” the redevelopment funds. It is possible that the EDA could commence with the grant funded activities, however it is not feasible to begin this work prior to December 31, 2024 and we would need to request an extension.

In addition to the grants outlined above, as Council is aware the City was awarded \$3,000,000 in 2022 through the federal Community Project Funding Initiative. Staff has submitted required documentation to HUD for this award and anticipate an authorization to use federal grant funds within the next two weeks. These funds will be used primarily for the extension of Verderosa Avenue to serve the site, including all utilities, streetlighting, and pedestrian connectivity. Design of this work is currently underway, the improvements are in the 2025 CIP, and we expect to bid the project over the winter, which will resolve the total project scope and determine to what extent other funds (such as the DEED Redevelopment Grant, the Dakota County Redevelopment

Incentive Grant, or local funds) will be necessary to complete the project. Or, conversely, if the Verderosa/Utility extension bidding process results in a total cost of less than \$3,000,000, it is conceivable that we will have funds left over from this grant to support other eligible costs (stormwater, soil correction, environmental, etc).

At Monday's Worksession, we'll be looking for Council's direction as to whether we should proceed with the grant-funded work:

- Design and construction of the Verderosa and Utility Extension project. This project, according to the preliminary engineer's estimate, should be fully funded through the Federal CPF grant. If there is a continued belief that the Wakota Crossing vision is the best and highest development and use of the EDA-owned property and the "Danner" property in the future, then at some point the roadway connection will be almost essential (particularly for the EDA site to have any viability). Having the road and utility extensions fully paid for without local funding is an opportunity that is unlikely to present itself in the future, in the event we opt against acting on the current federal grant. The DEED Redevelopment Grant is, generally speaking, also targeted at the same items as the Federal Grant. At this point, staff views this grant as "insurance" in the event that the road and utility costs exceed the amount available through the Federal Grant. It may make sense to pursue an extension of the Redevelopment Grant at least until we can confirm the road and utility construction costs (through bidding) and if an extension request is successful we can make a determination, at that time, as to whether using the grant is worth the risk associated with the DEED Redevelopment Grant (the DEED "clawback" if we're unsuccessful in recruiting a developer to meet the job and tax base goals for the grant). Alternatively, we could opt to turn this grant back to the State, eliminating that risk altogether and potentially putting ourselves in a position to apply again in the future, if and when we have a more reliable commitment from a developer.
- Soil cleanup actions. A significant portion of the DEED Cleanup and TBRA grant budgets are dedicated towards the excavation, transportation, and disposal of contaminated soil from the site. Completing these actions proactively would at least to a certain degree reduce the risk for a future developer and may make the site more marketable (its other challenges notwithstanding). Of course, this approach is not entirely without risk. Even though we have a significant book of environmental investigation data for this site, it is impossible to know with 100% certainty the full extent and character of all soil that must be disturbed in the course of site preparation and site development. Thus, it is possible that unknown conditions exist above and beyond the environmental professionals' best estimates in the previous RAP. Additionally, if we wish to commence cleanup actions independently, we should only do so if we are comfortable with the development layout, generally, as previously proposed for the site by Capital Partners. If so, it may make sense to proceed with these actions, again in acknowledgement of the fact that there is no guarantee that grant funds will be available in the future for this cleanup work. If we proceed, it is likely that we will need to update the Response Action Plan to reflect only that work which we'll undertake in the near future.

It may be hard to visualize what work we would or would not be doing if we were to take the actions discussed above, so staff will be prepared to talk through this at Monday's meeting. At a

very high level, it should be understood that “the plan” for site preparation essentially involves placing all a 2’ layer of clean soil on top of existing contaminated soil essentially throughout the site with the exception of stormwater ponds, which will be excavated. So in essence the site isn’t proposed to be “cleaned up” en masse, but rather to be made developable “as-is”.

Alternative Site Development Options

While the loss of a development partner for this site after several years of work to advance the concept is frustrating, in Staff’s mind nothing has changed to impact the viability of the site for development (again, fully acknowledging its challenges). With the termination of our preliminary development agreement, we’re presented with an opportunity to take a fresh look at our goals for the site. The most apparent options to staff are presented for discussion below.

- Suspend Development Efforts Indefinitely. In this option, staff would recommend that we contact all grant agencies that have a stake in this site, and graciously turn back the grant awards citing the loss of the development partner. Besides that, though, we would likely need to resolve “what to do” with the large amount of stockpiled clean sand currently sitting on the north end of the site. One option would be to demand that DEC remove the material from the site, on a defined timeline. Another may be allowing continued storage (and potentially additional fill) at the site as a sort of “holding pattern” for future development needs at the site or elsewhere. This approach would require additional homework and coordination with the City Attorney’s office (we would need an agreement, likely a license agreement similar to what we had with Capital Partners) and DEC prior to moving forward.
- Take Steps to Prepare the Site for Development. This option generally was discussed in the previous section – the EDA/City would proceed with the Verderosa/Utility extensions and undertake those soil cleanup actions that aren’t reliant upon a specific development project. Upon completion of these efforts, presumably the EDA would engage the private development community, whether through listing the property for sale, issuing a request for proposals for the development of the property, or working directly with a specific development partner to advance the development of the site.
- Pursue Private Development of the Site. In this option, the EDA would solicit development interest in the site for the City’s desired development outcome. Staff has put feelers out in the market, and can confirm that there are parties interested in working with the City on this development in the immediate term. Assuming the City agrees that the Wakota Crossing Vision remains the desirable outcome for the EDA owned site, identifying a development partner in the near future could possibly result in a development concept advancing as soon as Spring 2025. If this is the chosen scenario, we would want to consult with DEED and Met Council to determine whether the grants could be retained and applied to, presumably, an only slightly modified development project. The risk in this scenario is that we engage a developer that doesn’t fully appreciate/understand the site’s development challenges, and we end up with essentially a repeat of the Capital Partners experience. If the preferred approach is to engage the private development community, some additional thoughts to consider which staff will be prepared to elaborate on at Monday’s meeting:

- Capital Partners was proposing a speculative development, meaning that they did not have a committed tenant/tenants. Theoretically, this is an approach employed by developers that are willing to take a risk on the leasing market producing a tenant during or shortly after construction. Given the site's other challenges (and the risks involved), developers may be averse to spec development on this site as a rule when all is said and done. In concept, spec development should deliver a predictable timeline and general development outcome, but comes with an unpredictable end-user (meaning, no certainty as to jobs, tax base, or nature/character of the business and potential aesthetic impacts).
 - Alternatively, a build-to-suit development may offer the EDA / City more discretion and we may be able to insert some expectations related to job creation, performance standards, etc. but is also reliant on a prospective developer having (or pursuing and securing) a tenant base for the development. This would introduce some uncertainty as it relates to timing of the development.
 - Finally, staff acknowledges that an argument can be made that development of the EDA-owned site should be coordinated with the development of the immediately adjacent "Danner" site. It is possible that by tying the two sites together in a development project, there may be efficiencies gained. On the flip side, the impact of the existing levee cannot be overstated. The levee presents significant challenges to "connecting" the two sites with infrastructure, and prevents reorienting the building layouts or property boundaries unless we want to go through the arduous and uncertain process of attempting to relocate the levee so that it doesn't cut these two sites off from each other. Our understanding from the owner of the Danner property is that while there may be private development interest in their site, no private development of the site is imminent.
- Leverage the Site for Public Development. In this option, the EDA/City could look to the property as an opportunity to address some identified community needs. A few options we'd suggest for consideration:
 - The site could be held/prepared to accommodate a new Public Works Facility. As discussed this spring, we intend to commence with a preliminary design process for this facility beginning in the Fall 2024. To date, we've mostly zeroed in on either the current site or the 316 Malden Street property as location options for this facility. There is some synergy, at least on paper, with placing a new public works facility next to the compost site, boat launch, community garden, MCES sanitary lift station, levee system, and trail system. With this site being "out of the way", it may also make it easier to value engineer the facility to better meet budget expectations/realities. If we pursued this option, we would need to engage the grant agencies and we might want to be prepared to have to turn back grant funds since the "public benefits" of the previously proposed development would not be reached through this option.
 - Perhaps in concert with the above, a portion of the site could be leveraged to relieve the challenges we've encountered in fully realizing the Hardman Triangle vision. A small portion of this site could accommodate one or more of the industrial users that have struggled to expand within the Hardman Triangle and at the same time struggled to identify locations that meet their needs.

- The site could be developed as a large scale industrial outdoor storage (IOS) facility. IOS is a very high-demand, high value real estate asset class for the foreseeable future, in that it provides acres and acres of parking for semitrucks and trailers, shipping containers, rail cars, and other industrial-focused vehicles, materials and equipment and serves as a key cog in the transportation and logistics sector. Based on current lease rates in the market and an assumption that approximately 60% of the site could be offered for lease, it's not out of the question to suggest that such an approach could net the City/EDA more than \$500,000 in annual lease revenue. In concept, this option would probably lessen the extent to which we'd need to address environmental and geotechnical issues present at the site but would also likely result in us having to return all of the grant funds that were dedicated to the site's redevelopment and cleanup. Without doing some preliminary design and further study of the site particularly for this use, it is difficult to accurately estimate the upfront cost of this approach but it is fair to ballpark the total cost (including road extension without utilities) of \$3,000,000 to \$4,000,000.
- Similarly, the site could potentially be evaluated for solar potential, and developed as a solar garden. This option has not been looked at in any detail, but perhaps the proximity of the XCEL Energy substation just to the north presents a synergistic opportunity for this site to be of interest for solar generation and an opportunity to open a conversation with XCEL or other experts in the matter. Like IOS, this option (if even feasible) would likely have some significant upfront costs, and based on a cursory study may not generate quite as much revenue as IOS although nonetheless could potentially provide lease revenue in the hundreds of thousands of dollars annually.
- Finally, Staff wonders if there might be an opportunity to explore an entirely unique (and probably quite risky 😊) public development of the area that heavily leans into some of the existing public uses adjacent to the site and its proximity to the Mississippi River. Over the past generation, public entities have invested millions of dollars into the creation and preservation of public amenities just northeast of the EDA-owned site: the Mississippi Riverfront Trail, the Wakota Trailhead, the DNR Boat Launch, and Community Garden. Given the site's limitations as it relates to private development (which, to reiterate, we do not think are insurmountable), could the City leverage some or all of the site to create another unique public destination here? Potential inspirations might include [Saturday Market in Portland, Oregon](#), or [Pennway Point in Kansas City, Missouri](#), or [Riverfront Park in Spokane, Washington](#), (or literally dozens others), all destinations that are somewhat off the beaten path in urban areas but make the most of their settings. Admittedly, (vehicular) access limitations here are particularly daunting, and the City has just recently invested heavily in a majestic riverfront park at Kaposia Landing, but Staff didn't want to ignore the fact that this area has organically developed as a "public" destination throughout recent history. If this approach sounds most appealing, staff would suggest that we integrate a deeper exploration of such a concept into the South Concord Corridor Study which just launched this month.

CONCLUSION:

Staff remains convinced that in spite of the site's challenges, the EDA-owned "Wakota Crossing" property holds tremendous value and potential for the EDA and City to meet community goals. Hopefully, the analysis provided in this memo serves as a primer for the EDA/Council to engage in a discussion of this opportunity and identify a preferred path forward. Staff will be prepared to provide additional depth and detail about the options, as needed, for the worksession discussion.

SOURCE OF FUNDS & OTHER FINANCIAL CONSIDERATIONS:

Several grant programs for site cleanup and redevelopment are already awarded for this site, although our ability to utilize those grants at this point relies upon proceeding generally on the "private development" track and would require a "local match" of approximately 12% (about \$375,000). The EDA's "Development Fund" could be a source of match for this work, and has sufficient fund balance to cover this match if we choose to undertake this work independently. If we opt to move forward with a private developer, the developer would be responsible for the required match. A Dakota County CDA Redevelopment Incentive Grant could potentially offset the match cost by as much as \$250,000, if we wanted to apply for that program.

It is estimated that private development of the site generally in accordance with the Wakota Crossing vision / Capital Partners concept would yield an assessed value between \$12,000,000 - \$15,300,000. These values would translate to Pay 2024 estimated property tax of between \$375,000 and \$480,000 in property taxes annually.

The financial considerations if we opt to pursue a "public development" approach are presented in the previous section, at least at a high level, for several options. Staff readily admits that any of these options would require substantially more investigation and refinement to truly capture the cost/benefit of any of them.

ATTACHMENTS:

Orientation Map
Preliminary Site Concept (2018)
Updated Site/Concept Plans (2024)

ATTACHMENT 1 – ORIENTATION MAP



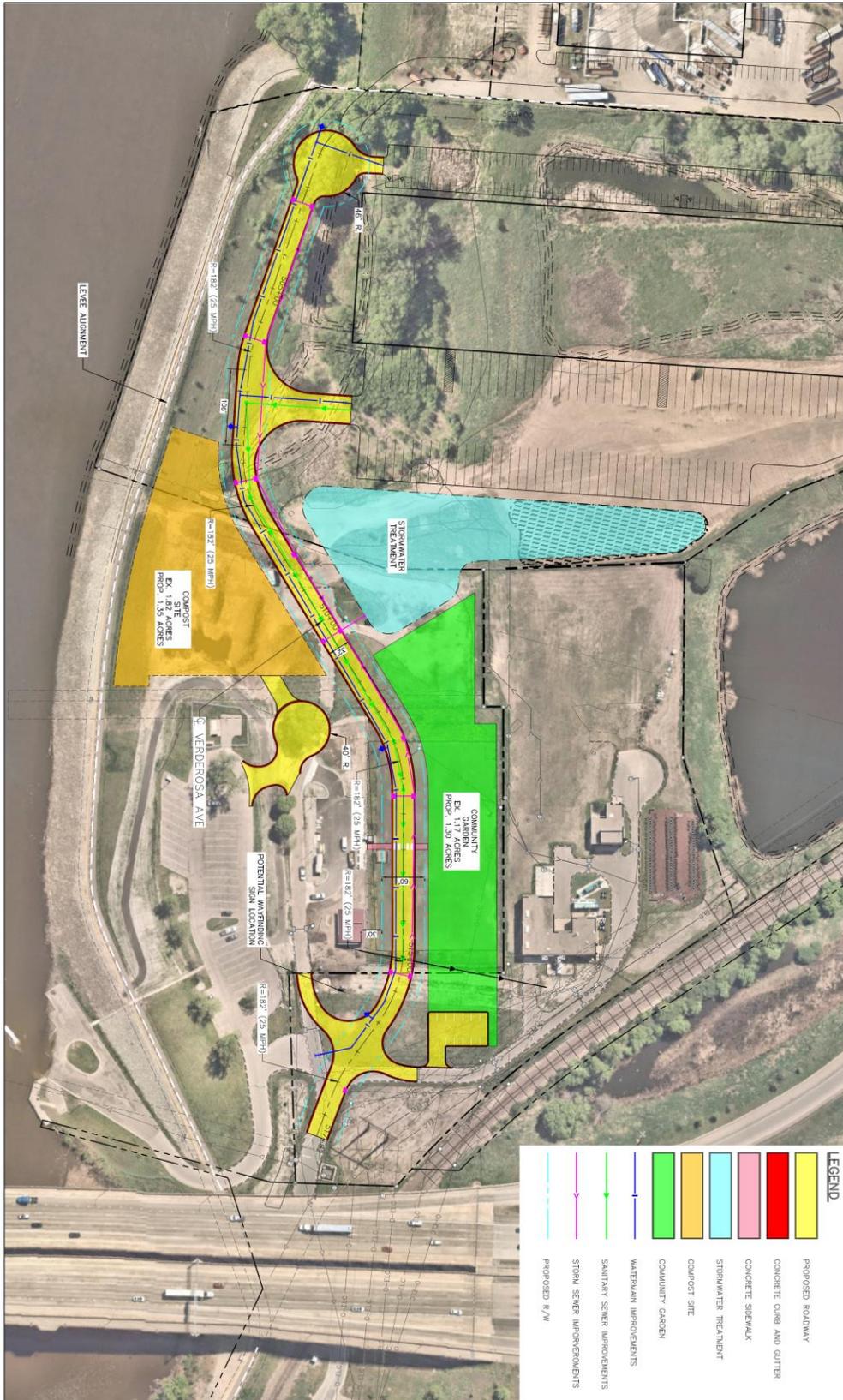
ATTACHMENT 3A – UPDATED SITE/CONTEXT PLAN (EDA - 2024)



VERDEROSA AVENUE EXTENSION
SOUTH ST. PAUL, MN



0 60 120
SCALE
IN FEET



ATTACHMENT 3B – UPDATED SITE/CONTEXT PLAN (EDA - 2024)

Kimley»Horn

VERDEROSA AVENUE EXTENSION
SOUTH ST. PAUL, MN



0 120 240
SCALE: HORIZONTAL FEET





AGENDA ITEM: Croatian Hall Improvements – EDA Short-Term Loan

DESIRED MEETING OUTCOMES:

Discuss request from the Croatian Hall, for a short-term EDA Gap Loan that would be backed by a grant from the State of Minnesota’s Arts and Cultural Heritage Fund.

Receive Council direction with respect to whether to present the item for consideration at a future EDA Meeting.

OVERVIEW:

South St. Paul’s Croatian Hall is set to receive \$195,000 in cultural heritage funds under a provision included in the 2024 Legacy Budget bill passed by the Minnesota State Legislature and signed by Governor Walz. The [provision](#), authored by Rep. Rick Hansen, provides \$195,000 for restoring and operating the hall as a community gathering space and preserving the history and cultural heritage of Croatian immigrants in Minnesota. This funding will be used to update HVAC, Fire Suppression, and Kitchen facilities as well as to make ADA improvements and other needed structural and cosmetic improvements at the Croatian Hall.

The State funding, while helpful, is offered to the applicant as a “reimbursement” grant, meaning the Croatian Hall will need to self-fund the improvements initially and then submit reimbursement requests to the State as the work is completed. The Croatian Hall, a non-profit entity, does not have sufficient cash on hand to carry these costs, and has inquired as to whether the EDA’s business and development loan program could provide a “bridge” to financing these improvements.

If, following Council’s discussion of the proposal at the worksession, it is the Council’s consensus that the proposal is a reasonable and desirable utilization of the EDA’s program, Staff will prepare a resolution for future EDA approval to approve a loan to the business in an amount not to exceed \$150,000 for assistance with these improvements. If supported by the Council, Staff would recommend that the loan be structured with a 24-month deferment (meaning the borrower does not have any repayment obligation for 24 months after closing), zero percent (0%) interest, and a balloon payment of \$150,000 (or whatever the total borrowed amount is) at the end of the 24-month period, prepayment allowed without penalty at any time.

FUNDING SOURCES AND OTHER FINANCIAL CONSIDERATIONS:

The City’s Development Loan Fund has sufficient cash balance to fully support the proposed loan. It is fully expected that the State Grant will be the applicant’s primary source for repayment of the loan, which is a very reliable source of repayment.