

**City of Columbus**  
**City Council Special Meeting**  
**09.25.18**

The 09.25.18 meeting of the City of Columbus was called to order at 7:03 p.m. by Mayor Dave Povolny at the City Hall. Present were Council Members Mark Daly, Jeff Duraine, Denny Peterson, Bill Krebs; City Administrator Elizabeth Mursko, and Public Communications Coordinator Jessica Hughes.

Also in attendance were: Josh Pribyl, Tim Olsen, Kris King, Paul Peskar, Mike Bauer, Julie Eddington, and Tammy Omdal.

**1. APPROVAL OF AGENDA**

**Motion by Daly to approve the agenda. Seconded by Krebs. Motion carried unanimously.**

**2. DISCUSSION – JP E-COMMERCE**

Mr. Josh Pribyl, CEO of JP E-Commerce, came forward to discuss their proposal for Minnesota Investment Fund and Tax Increment Financing. His company sells bedding which is manufactured overseas and sold online. Their current warehouse space is located in Blaine, but they are rapidly growing and need to secure a different location to build a larger facility.

Mayor Povolny asked Pribyl to explain his sales model. Pribyl replied that their business is entirely online and is based on selling bedding. They are hoping to get into the boxed mattress market. Because the property they are interested in has good visibility off the freeway, they are going to add a showroom to the facility as well. They are also planning on having a sign on the facility facing the freeway. They will not have any outdoor storage but will be using 10 dock doors on the south side of the building. Pribyl continued to say that at the present time they have 20-25 full time equivalent employees and are planning to add 50-60 more once they relocate to Columbus.

Mursko asked Pribyl to discuss his goals and desired time frame. Pribyl said that his issues with space are hurting growth, so he would like to begin building a new facility in Columbus as quickly as possible. His goal is to move into the new building by May 2019. To meet this goal, they would have to break ground on the new building this year. Mursko said that the lot they are interested in is a total of 24 acres and will be subdivided to create a 13-acre lot and a vacant eight (8) acre lot. The property is located between Hornsby Street and I-35, almost directly across from where Gander Outdoors is located.

Mursko discussed what the preliminary steps will be going forward. The next Planning Commission meeting agenda will have applications for preliminary and final plats, a CUP, and a vacation of a roadway easement. The CUP will be for warehouse distribution, and a small portion of the facility will be used as a showroom. The easement vacation is to correct an error with the location of Hornsby Street's right-of-way. The land will be vacated and rededicated back to the City with the preliminary plat. In addition to the above applications, the Council will

also consider an ordinance amendment to allow warehouse distribution in the Commercial Showroom district with a Conditional Use Permit.

Mayor Povlny asked Mike Bauer, from Bauer Design Build, if they will be ready to begin construction once final approvals are complete? Bauer replied that they are ready and have a slot for their concrete panels. Mayor Povlny asked if they would have footings and foundation ready for panels if final approvals were completed on 10.31.18? Bauer said that such a date would mean potentially getting into winter conditions, adding that their company is able to work year-round, but it affects cost and he has not discussed this with JP E-Commerce. Omdal noted that TIF requires that the plan be approved before any building permits are issued.

### MIF Application and TIF Application

Omdal explained that JP E-Commerce has requested financial assistance in the form of Minnesota Investment Fund (MIF) and Tax Increment Financing (TIF) to help fund the construction of a new facility in Columbus. Her memo concludes, after review of information submitted by the company, that the project as proposed would only be feasible through assistance, in part, from TIF and MIF dollars.

Omdal continued to discuss the time frame for the TIF application. She said that technically the process has not begun because the Council previously directed her to gather further information prior to approval of her contract. She said that once the process starts, the City, County, and School District will have 30 days to review and comment on the TIF financing plan. She noted that they are not required to use the full 30 days and can use a waiver to expedite the process. Omdal added that she believes the owner of JP E-commerce has already spoken to the School District and Anoka County to encourage their use of a waiver to speed up the process. However, they still have an obligation to bring the plan to their respective boards for review.

At this time Julie Eddington from Kennedy and Graven came forward to further discuss timing questions. She said that after the TIF Financing Plan is completed by Omdal, it must be reviewed by her Legal Counsel. Once that is complete Mursko could publish notice by 10.04.18. Then, the earliest that City Council could hold a Public Hearing would be 10.15.18. Mursko said that 10.17.18 is a Planning Commission meeting, and a City Council meeting could be held that evening as well if the Council would like. She added that the earliest she would be comfortable holding the hearing, in order to deal with staffing and notice is 10.17.18. Omdal noted that what matters the most is how quickly the County and the School District can review the plan. If they are unable to review it by 10.17.18, the next possible date to hold the hearing is 10.31.18.

The MIF application from JP Ecommerce states that they are requesting assistance from the state to pay for equipment and machinery costs. The State would administer this loan, which cannot be forgiven and must be repaid. The amount being requested is around \$900,000. The second application from JP Ecommerce is for TIF assistance, which captures the increase in property taxes (not including state property taxes) for a period up to nine (9) years in order to assist the project. The City has the ability, if they choose, to retain 10% of that money to fund administration of the TIF district. Omdal added that TIF financing requires annual reporting to the State, so it may be smart to retain some money for such reporting. Duraine asked if a nine

(9) year period for a TIF district is typical? Eddington replied that it is actually on the short side, and others typically range from 12-26 years.

Omdal continued by providing more specific numbers for the Council. The total project cost is estimated at \$8.5 million. The estimated total amount of TIF assistance from the City is \$739,947. Over nine (9) years the City will reimburse JP E-Commerce \$557,360 at a 5% interest rate. JP E-Commerce will need to provide owner cash, equity, or other private funds to pay for the \$557,360 of up-front project costs.

### Information – Columbus Business Subsidy Criteria

In 2012 the City of Columbus purchased property and created the Economic Development Authority. At that time the City also approved a business subsidy policy, which is required by state law when the City subsidizes more than \$125,000 to a developer. In this case, JP E-Commerce is asking for \$550,000 from TIF as well as \$900,000 from MIF; which totals above \$125,000. The policy also requires that the business agree to stay in the City for at least five (5) years and meet their job and wage goals within two (2) years of their benefit date (which is the date the Certificate of Occupancy is received). Eddington said from a legal perspective the JP E-Commerce development fits very well with the business subsidy policy and the TIF district.

### Questions

Krebs asked if Hornsby Street will need to be repaired to accommodate their truck traffic? Mursko replied yes, that their business will require a ten-ton road. There is a one-half mile portion of Hornsby Street just south of TH 97 that has a ten-ton limit, but the remainder must be redone. The City's Public Works Superintendent Jim Windingstad has Hornsby Street on the schedule for 2021, and the Council has not discussed changing the time frame for that update.

Mayor Povolny asked how upfront administrative work for the TIF plan will be funded? Eddington replied that typically Cities have developers submit a \$10,000 - \$20,000 deposit to cover such fees. However, Columbus does not list this in their fee schedule, so that money was not collected at the beginning. She added that a preliminary agreement could be drafted so that the deposit can be collected sooner rather than later.

Mayor Povolny asked Omdal to explain the worst-case scenario if the business does not do well. Omdal explained that if the business defaults, they are the ones at risk because they would not be receiving revenue from the TIF district. She added that if they are delinquent on property taxes they will no longer be able to make payments on the note. Mayor Povolny asked how that would affect liquidity? Omdal replied that it does not affect liquidity, and if any of the following happens – valuation drops lower than \$6 million, tax laws change, or tax rates lower, then the tax increment and associated note will go away. She continued to say that the TIF contract contains terms in case of default. If the company is delinquent on property taxes, they would be in default of the contract and the TIF money goes away. There would still be a TIF district in place, but the agreement would cease to exist. However, if this occurs more than five (5) years after the district is established, a new owner would only be able to assist with a very limited amount of the increment. In this case, the City could choose to decertify the TIF district all together.

Eddington added that oftentimes there is a lender involved, and their only security is the land. So, banks will often continue to pay property taxes to avoid defaulting, which would continue generating TIF money.

Mursko asked Omdal to explain the use of funds policy. Omdal explained that the present value of cash flow to the business is estimated at \$557,000. Before the TIF note is issued, the developer will have to prove costs which are eligible for reimbursement. The eligible costs will be listed in the Development Assistance Contract, and will be things like land acquisition, special assessments, and site improvements. Omdal noted that the Council previously decided that they would like all of the TIF money to go toward public improvements. She added that such projects can only be funded with TIF money if they are within the land parcel or immediately adjacent right-of-way. So, the Hornsby Street project would be eligible for TIF funds. Mursko added that the connection fees for utility hook ups are also eligible for TIF funds.

Krebs asked Omdal how the fiscal disparity contribution will be factored into this agreement? Omdal replied that they have discussed this with JP E-Commerce, and the assumption is that the City will require them to assist with the contribution. And if the City were to elect for JP E-Commerce to not assist with the contribution, Columbus' tax rate would increase for the remaining commercial entities in the City.

Bauer asked about the water flow on Hornsby Street. Mursko said that the entire system is being upgraded to bring a storage tank on for the purpose of providing additional capacity for the City. When the storage tank is brought on it will help increase fire flows because of the gravity system. She added that City Engineer Dennis Postler will have an estimate for the cost of modeling that system shortly.

#### Motion – Resolution Calling for Public Hearing

At this time Mayor Povolny asked the Council what their feelings were on the topic. All Council Members expressed their support. Duraine followed up by asking how large the TIF district is going to be? Omdal replied that it will be the single parcel where JP E-Commerce will have their facility. The TIF district must be established within a municipal development district and must include manufacturing or warehousing. Omdal recommended that the entire City of Columbus be established as the municipal development district. New businesses will be able to apply for a TIF district, and they would be considered on a business by business basis because of specific requirements that must be met.

Mursko reported that right now she has a resolution calling for a Public Hearing on 10.31.18. Eddington commented that the Council could make a motion giving Mursko the authority to make a decision on the Public Hearing date as soon as she hears the result from the County and School District meetings.

**Motion by Duraine to approve Resolution 18-26, a resolution calling a public hearing on a tax increment financing plan for tax increment financing district no. 1-1, a modification of the development plan for municipal development district in the City of Columbus, and a business subsidy, with the change to item number 2 to replace “on Wednesday October 31,**

**2018” with “as soon as possible based on the School District and County calendar”.  
Seconded by Daly. Motion carried unanimously.**

Northland Securities Contract

The final consideration to be made was approving the contract with Northland Securities, to draft a TIF plan. The cost of the contract is \$8,400.

**Motion by Daly to approve the contract with Northland Securities for \$8,400. Seconded by Peterson. Motion carried unanimously.**

**3. ADJOURNMENT**

**Motion by Krebs to adjourn. Seconded by Daly. Motion carried unanimously.**

**Meeting adjourned at 8:38 p.m.**

Respectfully Submitted:

Jessica Hughes, Public Communications Coordinator