



AGENDA
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
ZOOM
Monday, March 15, 2021
7:00 PM

1. Call to Order
2. Roll Call
3. Adopt Agenda
4. Approve Previous Meeting Minutes
 - A. Approve the February 22, 2021 EDA Meeting Minutes
5. Discussion Items
 - A. Authorize Letter of Intent for TIF Assistance to Proposed Oppidan Industrial Project
6. Other Business
7. Adjourn

**- MINUTES -
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
FEBRUARY 22, 2021**

DRAFT

1. Call to Order

President Windschitl called the meeting to order at 9:14 pm.

2. Roll Call

Roll call was taken. Present: Commissioners Hatfield, Hubbard, Grau, Huang, and President Windschitl.

Absent: None.

Also Present: Nate Kabat, Assistant Executive Director and Matt Podhradsky, Executive Director.

3. Agenda

Motion by Commissioner Hatfield, second by Commissioner Grau to adopt the agenda as presented. Motion carried.

4. Minutes

Motion by Commissioner Hubbard, second by Commissioner Hatfield to approve the minutes of the December 21, 2020 EDA meeting. Motion carried.

5. Authorize Letter of Intent for TIF Assistance to Proposed Oppidan Industrial Project

Assistant Executive Director Kabat presented the item to the Commission.

Motion by Commissioner Hatfield, second by Commissioner Hubbard to authorize the EDA Director to execute the Letter of Intent for TIF assistance to the proposed Oppidan industrial project. Motion carried.

6. Other Business

There was no other business.

7. Adjourn

Motion by Commissioner Huang, second by Commissioner Hubbard to adjourn the meeting at 9:21 pm.

Motion carried.

REQUEST FOR ACTION

CHASKA ECONOMIC DEVELOPMENT AUTHORITY

3/15/2021

Subject: Authorize Amended Letter of Intent for TIF Assistance to Proposed Oppidan Industrial Project

Prepared By: Nate Kabat

Background

On January 25, 2021, the City Council approved the preliminary plans for the Oppidan industrial project in the Chaska Creek Business Park. On February 22, 2021, the City Council called for a public hearing to be held on April 5 in support of a TIF District to support this project and the Chaska EDA approved a Letter of Intent to outline the terms of the TIF assistance. On March 15, 2021, the City Council will consider approval of the final plans for this project.

The project proposes to develop two industrial buildings. Talking with the developer, Oppidan expects the first building to be built on Outlot E at 168,000 square feet beginning this year and the second building to be built on Outlot A at 133,000 square feet targeted for a 2022 build start. Both buildings will serve industrial users and are designed to accommodate multiple tenants.

The Letter of Intent approved by the Chaska EDA on February 22, 2021, commits assistance in an amount of two times the TIF eligible property taxes generated by the completed project. This commitment is consistent with City and EDA policy for industrial developments.

Update

After the February 22 approval, the Developer and City Staff became aware of significant soils corrections needed for the building on Outlot E to be built this year. The cost to address the soils correction needs is \$1.2 Million. In working with the Developer and Landowner, the landowner has agreed to pay for half of the cost and staff recommends the EDA commit the other half with TIF proceeds.

As a result, staff have negotiated an amended Letter of Intent with the Developer to provide assistance in addition to the City's existing tax increment policy to address the significant soils issues that have been identified on Outlot E. The amended LOI agrees to contribute tax increment equivalent to half of the actual remediation cost as a TIF Pay-go Note not to exceed net present value of \$600,000.

With the amended contribution included, the TIF district is projected to generate nearly \$1.5 Million of increment in excess of the assistance to the developer. As explained to the EDA previously, this excess will be used by the City to offset infrastructure costs necessary to support this development. In this case, the Creek Road sewer extension will be the primary use

of the excess dollars. Importantly, in addition to serving this project, the Creek Road sewer extension will also provide capacity to the entire area of southwest Chaska located west of Hwy 212 that is guided for business park development. These improvements would not happen on this timeline, without the Oppidan project proceeding.

As explained to the EDA previously, staff have negotiated the Letter of Intent with the Developer and all parties are in agreement with the provisions contained in it. By entering a Letter of Intent with the developer, the EDA is establishing the basics of what will ultimately result in a TIF and Development Agreement. While the Letter of Intent is not a legally binding document, the resulting agreement will be once approved.

Recommendation

The proposed TIF district continues to support significant industrial development in the Chaska Creek Business Park, which has been planned for this development for some time. In addition, even with the amended additional contribution to Oppidan's project, the excess TIF the district will generate continues to provide significant funding for critical infrastructure that lays the groundwork for further business park development in the City. City staff recommends authorizing the EDA Director to execute the Amended Letter of Intent with the Developer to proceed with drafting the final agreement documents.

CITY COUNCIL ACTION REQUESTED

Motion to authorize the EDA Director to execute the Amended Letter of Intent for TIF assistance to the proposed Oppidan industrial project.



City of Chaska

March 10, 2021

Jay Moore
Oppidan
400 Water Street, Suite 200
Excelsior, MN 55331

Re: Letter of Eligibility for Project Assistance for proposed 168,000 square foot industrial building for Parcel ID 302040070 (Chaska Creek Center 3rd Addition, Lot 1, Block 2) and for proposed 133,000 square foot industrial building for Parcel ID 301840030 (Chaska Creek Center 3rd Addition, Lot 1, Block 1) in the Chaska Creek Business Park

Dear Mr. Moore:

Based on the January 25, 2021, approval of the Preliminary Plat, Site & Building Plan, and Rezoning for Chaska Creek Industrial/P.C. No. 2020-25 by the City Council, the City of Chaska is supportive of your proposed project at PID 302040070 (Lot 1, Block 2) and PID 301840030 (Lot 1, Block 1). The site is also part of an Assessment Agreement between the City of Chaska and the land developer recorded July 19, 2017.

The following will detail terms that the City is willing to offer in support of the project in addition to expectations the City will have of you as the project developer in exchange for any assistance provided. Dollar amounts provided in this letter are only estimates to be used for planning purposes. Final dollar amounts for the assistance will be determined based on the final development plans and financial analysis as approved by the City Council. The award of this assistance package is also subject to City Council and Chaska EDA approval of a Development and Tax Increment Agreement.

The assistance package outlined assumes a 168,000 square foot multi-tenant industrial facility and a 133,000 square foot multi-tenant industrial facility with no more than 15% of the square feet used for nonqualifying uses as defined by state statute.

Terms of the City of Chaska's Assistance Package:

- Create an Economic Development TIF District to include the property listed above provided the statutory definition for the district is met on the site.
- Provide tax increment assistance to the project in the form of two (2) pay-go notes to the developer, payable twice a year over the term of the district. The developer will be eligible to benefit from increment generated by the project based on the City's existing policy as follows:
 - Two times annual TIF eligible taxes if property is acquired to accommodate only the proposed project. The following amounts are estimates that may change because of the final financial analysis.
 - Lot 1, Block 2, proposed 168,000 sf with assessed value of \$89 per sf.:

- Estimated Annual TIF eligible Taxes: \$197,000
- Estimated net present value TIF Pay-go Note: \$394,000
- Lot 1, Block 1, proposed 133,000 sf with assessed value of \$89 per sf.:
 - Estimated Annual TIF eligible Taxes: \$155,000
 - Estimated net present value TIF Pay-go Note: \$310,000
- Provide assistance in addition to the City's existing tax increment policy to address significant soils issues that have been identified on Lot 1, Block 2. Remediation necessary to bring the site to buildability will cost approximately \$1,200,000 in total. The City agrees to contribute tax increment equivalent to half of the actual remediation cost as a TIF Pay-go Note not to exceed net present value of \$600,000.

You as the Developer agree to:

- Develop one 168,000 square foot multi-tenant industrial facility and one 133,000 square foot multi-tenant industrial facility.
- Submit into, and successfully complete, the typical planning review process to obtain final approval, including successfully addressing staff comments and contingencies outlined in the preliminary plan approval/P.C. No. 2020-25.
- Hold to the terms and conditions outlined in the Assessment Agreement between the City of Chaska and the land developer recorded July 19, 2017.
- Build the project per approved final plans and successfully obtain a certificate of occupancy.
- Pay or enter into a development agreement for City development fees to include Water Area, Sanitary Sewer Area, Storm Water Area, Water Connection, Sanitary Sewer Connection, Park Dedication, and Trail fees. Met Council Fees are assumed as separate from City fees.
- Pay or enter into an assessment agreement for street and utility improvements along Creek Road for improvements necessary to serve Lot 1, Block 2.
- Pay all other applicable development and building fees.
- All plans for improvements and agreements for City support will be subject to City Council and EDA Board approval as applicable.
- Negotiate a Minimum Assessment Agreement and/or Minimum Increment Agreement for the duration of the Development and Tax Increment Agreement.
- Agree to provisions in the Tax Increment Agreement that will require the Developer to report on actual soils remediation costs.
- Pay the required \$10,000 administrative fee for City economic development assistance.

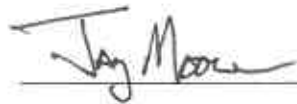
We look forward to working with you on this project. We recognize that this project has the potential to maximize the value of the site in line with long-range plans for the location which includes generating high quality jobs to support the City's goal to host at least two jobs per household. Notwithstanding the stated intentions of the parties, neither party is legally obligated to complete the terms of this letter and may withdraw from it at any time for any reason.

If this letter is acceptable to you, please execute and return a copy of this letter along with the \$10,000 deposit. Upon receipt, the City of Chaska will move forward immediately to start the process of establishing this assistance package for the project. The assistance package described in this letter is

Sincerely,

Nate Kabat
EDA Director

I hereby agree to the terms and conditions in this Letter of Intent, and with this executed letter and deposit hereby request and authorize the City of Chaska/Chaska EDA to move forward to establish the assistance package for this project.

 3.10.21

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