

## GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

**Thursday, April 9, 2015  
4:00pm  
Grand Rapids City Hall**

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in Conference Room 2A in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, April 9, 2015 at 4:00pm.

### AGENDA

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Approval of minutes from the March 26, 2015 regular meeting
5. Consider approval of claims
6. Discuss possible GREDA assistance in a cooperative arrangement between the City and Minnesota Energy Resources in the extension of natural gas service to unserved areas of the City.
7. Updates:
8. Adjourn

#### GREDA Members/terms:

Dale Christy – 12/31/16 (with council term)  
Jon Toivonen – 12/31/18 (with council term)  
Mike Przytarski – 3/1/21  
Cory Jackson – 3/1/17  
Mike Stefan – 3/1/18  
Chris Lynch – 3/1/19  
Sholom Blake – 3/1/19

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING  
THURSDAY, MARCH 26, 2015  
4:00 P.M.  
GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A  
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA**

**CALL TO ORDER:** Pursuant to due notice and call thereof, a Regular Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order on Thursday, March 26, 2015 at 4:05 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

**CALL OF ROLL:** On a Call of Roll the following members were present: Commissioners: Dale Christy, Mike Przytarski, Cory Jackson, Michael Stefan, Chris Lynch. Absent: Sholom Blake, Jon Toivonen.

**SETTING OF REGULAR AGENDA:** **Approved without addition.**

**APPROVAL OF MINUTES:**

**MOTION BY COMMISSIONER JACKSON, SECOND BY COMMISSIONER CHRISTY TO APPROVE THE MINUTES OF THE FEBRUARY 12, 2015 REGULAR MEETING. The following voted in favor thereof: Jackson, Christy, Stefan, Przytarski, Lynch. Opposed: None, passed unanimously.**

**APPROVAL OF CLAIMS:**

**MOTION BY COMMISSIONER PRZYTARSKI, SECOND BY COMMISSIONER JACKSON TO APPROVE CLAIMS IN THE AMOUNT OF \$36,655.94.**

Iron Range Economic Alliance	\$50.00	Kennedy & Graven.	\$314.50
Miller Dunwiddie Architecture	\$9,223.44		

**The following voted in favor thereof: Christy, Stefan, Jackson, Przytarski, Lynch. Opposed: None, passed unanimously.**

Consider approving GREDA 2014 Annual Report.

Community Development Director Mattei reviewed the highlights of the 2014 annual report and gave an update on the SCDP Projects.

**MOTION BY COMMISSIONER STEFAN, SECOND BY COMMISSIONER CHRISTY TO APPROVE THE 2014 ANNUAL REPORT. The following voted in favor thereof: Przytarski, Christy, Lynch, Jackson, Stefan. Opposed: None, passed unanimously.**

Consider a recommendation to the City Council regarding adoption of the amended TIF and Tax Abatement Business Subsidy Policy.

The Commissioners reviewed the amended policy and agreed it was a benefit to have the policy updated.

Updates:

Swan Machine-They are very pleased with the response they have had moving to Grand Rapids. They fully intend to at some point build a facility in Grand Rapids.

There being no further business the meeting adjourned at 4:33 p.m.

Respectfully submitted:

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Aurimy Groom, Recorder

DRAFT

EDA BILL LIST - APRIL 9, 2015

DATE: 04/06/2015  
 TIME: 14:34:58  
 ID: AP443000.CGR

CITY OF GRAND RAPIDS  
 DEPARTMENT SUMMARY REPORT

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INVOICES DUE ON/BEFORE 04/09/2015

VENDOR #	NAME	AMOUNT DUE
ECONOMIC DEVELOPMENT AUTHORITY		
1105530	KENNEDY & GRAVEN	370.00
	TOTAL	370.00
EDA - CAPITAL PROJECTS		
DEED DEVELOPMENT PROGAMS		
0920051	ITASCA COUNTY H.R.A.	28,592.67
	TOTAL DEED DEVELOPMENT PROGAMS	28,592.67
TOTAL UNPAID TO BE APPROVED IN THE SUM OF:		\$ 28,962.67



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March 20, 2015

Tom Pagel  
City Administrator, City of Grand Rapids  
420 N. Pokegama Avenue  
Grand Rapids, MN 55744

Re: Natural Gas Extension and Charges

Dear Tom,

Portions of the City of Grand Rapids ("City") are currently served by Minnesota Energy Resources ("MER"), a private gas utility which provides natural gas services to City residents. You have requested that I research possible ways for the City or its public utilities commission ("PUC") to facilitate the extension of natural gas mains into three areas of the City that were recently annexed and do not currently benefit from access to natural gas service through MER. Specifically, you have asked (i) whether it is feasible for the City or PUC to pay to MER the cost of such gas main extension and to recoup those costs over time from the residential users benefiting from such construction (the "End Users"), rather than requiring the End Users in those areas to pay an up-front contribution in aid of construction ("CIAC") to MER, as required in order to meet rate standards set by the Minnesota Public Utilities Commission; or (ii) whether it is possible for the PUC to expand its utility services to include the construction of natural gas lines, and to charge the End Users a franchise fee to finance the costs of construction; or (iii) whether it is possible for the City to provide natural gas service or construct natural gas mains and assess a fee over time in any other way. My understanding is that the City or PUC would be able to pay the costs associated with fronting the CIAC, which are estimated at around \$250,000, without having to finance these costs through the issuance of debt. Therefore, I will not discuss any financing options in this letter, but would be happy to look into possible legal authority for financing the CIAC upon request.

#### A. City-MER Agreement

The best option available to the City may be to enter into an agreement with MER, pursuant to which the City agrees to pay the required CIAC to MER on behalf of the End Users. In return, MER would need to agree to require each End User to pay its share of the CIAC (the "End User Fee") at the time each End User actually connected to the natural gas system, at which time MER would forward the End User Fee to the City. Ideally, the End User Fee could be

structured so that it could either be paid in full at the time of connection or over some term of years at an agreed interest rate, similar to a special assessment.<sup>1</sup>

I understand that the three areas of the City in question are primarily occupied by lower- to moderate-income residents who would likely be unwilling or unable to pay an upfront CIAC, and that if the CIAC is not paid, MER cannot construct the gas mains. Thus, the most straightforward legal authority for an agreement with MER is the City's power under Minnesota Statutes, Sections 469.001 through 469.047 (the "HRA Act"). Under the HRA Act, the City is authorized to use its redevelopment powers to prevent or eliminate blight in situations in which private enterprise would not act without government participation. In addition, the City may take actions to provide adequate, safe, and sanitary housing to its residents. Facilitating the construction of gas mains to areas of the City not currently served by natural gas would arguably fulfill both housing and redevelopment needs.

The practical implication of this authority is that the agreement would be between MER, the City and the City's Housing and Redevelopment Authority ("HRA") or its Economic Development Authority ("GREDA") exercising its HRA powers. The City (with the possible participation of the PUC) would advance funds to GREDA in order to loan the CIAC to MER. The City and HRA would enter into an interfund loan agreement, so that as MER repaid the CIAC by forwarding End User Fees to GREDA, GREDA would pay back the funds advanced by the City.

#### **B. Expansion of PUC to Include Gas Utility**

It is possible for the PUC to expand its services to include the provision of natural gas to City residents. The greatest advantage of this option is that if the natural gas system became a City-owned utility, the City could construct the gas mains and specially assess the cost under Minnesota Statutes, Chapter 429, or could impose a franchise fee to recover its capital costs. However, this option has a couple of potential disadvantages that may make it less desirable than an agreement with MER as described above. First, the establishment of any municipal utility is subject to a vote by the City voters at a general or special election. My understanding is that the City and PUC would prefer not to hold an election on the question of creating a natural gas utility. The other potential disadvantage of this option is that it raises the question of whether the PUC would want or be able to acquire those natural gas facilities currently owned by MER, so that the PUC could operate its natural gas utility throughout all areas of the City. If not, it would be highly unusual for the PUC to operate a utility or to impose a franchise fee only in certain areas of the City.

#### **C. Creation of Municipal Gas Agency**

It may be possible for the City to exercise the powers of a municipal gas agency under Minnesota Statutes, Chapter 453A. However, this option is subject to the same disadvantages as

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<sup>1</sup> Please note that cities are able to levy special assessments for improvements to municipal gas utilities, but may not levy special assessments against property benefited by improvements to private utilities. Therefore, the City may not levy special assessments if MER constructs and operates the gas mains.

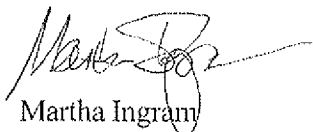
Tom Pagel Ltr  
March 20, 2015  
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expansion of the PUC: the City would have to hold an election on the question, and the limited purpose for which the City would exercise municipal gas agency powers raises the question of whether the possible benefit of being authorized to exercise these powers would be worth the complication and expense of undergoing the special election process.

Due to the election requirement involved in establishing a municipal gas utility or a municipal gas agency, and the logistical (and potentially legal) complications of operating such a utility or agency in some portions of the City but not others, I believe that the City's best option for fronting the construction costs of the gas mains needed to extend natural gas services to the three annexed areas of the City is to negotiate an agreement with MER under the City's HRA authority, as described in Section A. Kennedy & Graven would be happy to assist the City with the negotiation of such an agreement, if you decide to pursue this option.

Please feel free to contact me at the number above if you have any questions about this letter or any of these options.

Very truly yours,



Martha Ingram