



**ECONOMIC DEVELOPMENT AUTHORITY**  
**Public Safety Building—Training Room, 825 41st Ave NE**  
**Tuesday, July 05, 2022**  
**6:00 PM**

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**MINUTES**

The meeting was called to order at 6:00 pm by Chair Szurek.

**CALL TO ORDER/ROLL CALL**

Members present: Connie Buesgens; Kt Jacobs; Nick Novitsky; Amáda Márquez-Simula; Marlaine Szurek

Members absent: Gerry Herringer; John Murzyn, Jr.

Staff present: Kelli Bourgeois, City Manager; Aaron Chirpich, Community Development Director; Minerva Hark, City Planner; Sara Ion, City Clerk; Alicia Howe, Administrative Assistant

**PLEDGE OF ALLEGIANCE**

**CONSENT AGENDA**

1. Approve the minutes of the regular EDA Meeting of May 2, 2022
2. Approve the minutes of the special EDA Meeting of May 9, 2022
3. Approve financial reports and payment of bills of April 2022 and May 2022 – Resolution No. 2022-14

*Motion by Jacobs, seconded by Novitsky, to approve the Consent Agenda as presented. All ayes of present. MOTION PASSED.*

**RESOLUTION NO. 2022-14**

**A RESOLUTION OF THE ECONOMIC DEVELOPMENT AUTHORITY OF COLUMBIA HEIGHTS, MINNESOTA, APPROVING THE FINANCIAL STATEMENTS FOR THE MONTHS OF APRIL 2022 AND MAY 2022 AND THE PAYMENT OF THE BILLS FOR THE MONTHS OF APRIL 2022 AND MAY 2022.**

**WHEREAS**, the Columbia Heights Economic Development Authority (the “EDA”) is required by Minnesota Statutes Section 469.096, Subd. 9, to prepare a detailed financial statement which shows all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, the EDA's credits and assets and its outstanding liabilities; and

**WHEREAS**, said Statute also requires the EDA to examine the statement and treasurer's vouchers or bills and if correct, to approve them by resolution and enter the resolution in its records; and

**WHEREAS**, the financial statements for the months of April 2022, and May 2022 have been reviewed by the EDA Commission; and

**WHEREAS**, the EDA has examined the financial statements and finds them to be acceptable as to both form and accuracy; and

**WHEREAS**, the EDA Commission has other means to verify the intent of Section 469.096, Subd. 9, including but not limited to Comprehensive Annual Financial Reports, Annual City approved Budgets, Audits and similar documentation; and

**WHEREAS**, financials statements are held by the City's Finance Department in a method outlined by the State of Minnesota's Records Retention Schedule,

**NOW, THEREFORE BE IT RESOLVED** by the Board of Commissioners of the Columbia Heights Economic Development Authority that it has examined the referenced financial statements including the check history, and they are found to be correct, as to form and content; and

**BE IT FURTHER RESOLVED** the financial statements are acknowledged and received and the check history as presented in writing is approved for payment out of proper funds; and

**BE IT FURTHER RESOLVED** this resolution is made a part of the permanent records of the Columbia Heights Economic Development Authority.

#### ORDER OF ECONOMIC DEVELOPMENT AUTHORITY

Passed this 5th day of July, 2022

Offered by: Jacobs  
Seconded by: Novitsky  
Roll Call: All ayes of present.

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

#### BUSINESS ITEMS

##### 4. Façade Improvement Grant Program Expansion, Central Avenue NE

Forney reported that during the last EDA meeting commissioners brought a concern about a few businesses that are still not included in the range of the Façade Improvement Grant program. During the discussion the commission gave staff the guidance to further research the effects of expanding the grant program further up central Ave. Some of the commissioners expressed concern about the inclusion of the many franchises that inhabit the northern part of Central Avenue. Staff is bringing forth a few options, along with examples of how changes to the program may include or exclude certain businesses.

Forney reviewed the options with the EDA. He stated the first option in increasing the coverage of Central Avenue is to expand the program from 47th Avenue to 50<sup>th</sup> Avenue. Making this expansion adds 17 new businesses to the eligible business list; eleven of these have locations solely in Columbia Heights. Some examples would be Big Marina, Asia Chow Mein, Heights Bakery, and Crafty Crab. While six franchised/multiple location businesses would be included in the expansion; Sonic, Taco Bell, Jimmy Johns, and Savers.

The second option is very similar to option one but extends the Façade Improvement Grant to encompass all of Central Avenue. This change would add 38 new businesses to the eligible business list; 16 of these have locations solely in Columbia Heights. Some examples that extend beyond those in the first option are: Griffis Car Care, Quick Fix, E & M Beauty Supply, Great Health Nutrition, and Diaa Barber. Twenty-two franchised/multiple location businesses would be included in the expansion including Chipotle, La Casita, Domino's, Wendy's, and Speedway.

It is important to note that in the past the EDA has approved certain local, regional, and nationally recognized chains and franchises for the program. For example, Dairy Queen and Midas, which received grants in 2020 and 2018, are nationally recognized franchises which are locally owned. Previous decisions prioritized improvements made to the existing structure rather than the type of business that applied.

The very first option researched by Staff was to put a limit on the age of approved buildings. Staff dove into the idea of excluding any buildings built after the year 2000. In compiling data Staff chose to focus on the section of Central Avenue in question from 47th to 53rd in Columbia heights. Of the 22 franchised/multiple location businesses, 12 would be unable to receive the grant. Some examples are Chipotle, KFC, Taco Bell, and Sonic. While regionally and nationally recognized franchises make up a large part of northern Central Avenue. Many of the buildings were built in the 1970's and 1980's and have been retrofitted for their current use. Staff did not review all the properties in the grant area, but from a widespread blanket review, the exclusion of buildings built after 2000 would have little effect on the rest of the grant area.

Community development Staff also explored the idea of eliminating franchises from the program. In speaking with the City Attorney, this would be a gray area requiring more research and would be unfavorable if there are other ways available to achieve the EDA's goals. By eliminating all franchises from the program, locally-owned and locally-active franchises would also be barred from utilizing the program.

To date the Façade Improvement Grant Program has been an effective and selective program. Six applicants have been rejected due to not meeting the grant programs criteria or by recommending improvements which were deemed not enough of a change/improvement. This is exemplified by a business located at 4111 Central Avenue, which applied two years in a row for a signage update. The EDA determined not to approve the application because the sign was just an updated version of the current one. In the end, the EDA has ultimate authority over whether or not to approve a Façade Improvement Grant applicant for a multitude of reasons, if the EDA can clearly articulate why an improvement does not meet the programs guidelines or goals. This is clearly articulated in the application agreement on page two. By utilizing the current language, the EDA can limit

applications that attempt to utilize the grant to cover normal maintenance. If the EDA would like to take it one step further, language such as “Projects determined by the EDA to be normal maintenance are considered ineligible” could be added to the program. While this language would more directly mitigate the issues brought forth by the EDA, it would also limit certain projects that in the past that were approved.

If the EDA would like to include more small businesses in the program while limiting the use of the grant for routine maintenance, Staff recommends expanding the program from 47th to 50th and maintaining the current language of the program. By engaging in selective processing of grant application, which is currently done, the EDA maintains the authority to be flexible but decisive in how the program achieves its goals. By only expanding from 47th to 50th, the EDA limits the number of franchises and newer buildings that are included in the grant area, while adding 11 small businesses which could utilize the program.

Questions/Comments from Members:

Jacobs asked if historically the franchise businesses have been included in the program. Forney and Chirpich concurred that they have and gave examples of both the Midas and Dairy Queen.

Jacobs stated that there is a difference between a corporate-owned franchise and a private-owned franchise, and she would lean towards excluding corporate-owned franchises, which have larger budgets for improvements and are less likely to support or donate to the community.

Jacobs asked about including the language regarding buildings that are built after 2000, and how many would be excluded now versus a few years ago and stated it would concern her to now exclude them. Forney said that there are very few that would be excluded.

Jacobs stated that she was in support of adding language regarding excluding regular maintenance.

Jacobs asked about when Staff referenced businesses “solely within Columbia Heights” and clarified if any location that was out of the City, even if they had multiple locations, would not receive funding. Forney concurred that it was for only those located within the City.

Szurek stated that there was a building on 40<sup>th</sup> Avenue that received funding for painting their building and repairing the fence, which she believes to be “normal maintenance”. Chirpich said there was some stucco repair as well and he wasn’t sure if the fence was part of it. He added that the EDA debated the funding of that project.

Jacobs asked if it could be up to the discretion of the EDA for what normal maintenance is. Chirpich stated it is that way currently but there could be a clause added that defines what maintenance could be.

Szurek said that most of the corporate businesses would be excluded if the area stops at 50<sup>th</sup> Avenue.

Buesgens stated there is still All Pets Animal Hospital that would be cut out of the area. She added that any corporate businesses that are newer than 2000 would be excluded.

Chirpich said that the City Attorney has recommended not putting in the business construction year.

Szurek said she didn't believe corporate franchises should qualify because they have corporate support and asked if the language would need to be changed to indicate it's at the discretion of the EDA.

Novitsky stated he would like to keep the language the same but just expand the area to 50<sup>th</sup> Avenue and eventually 53<sup>rd</sup> Avenue. He further stated that the current language indicates the EDA has discretion over funding projects from corporate franchises and privately-owned franchises and putting restrictions on may limit the number of applications.

Further discussion ensued regarding the discretion of the EDA on funding corporate projects.

Jacobs asked if there could be a timeframe in place for if a business sells after the improvement that they have to pay back the grant.

Novitsky stated that he would like the language to remain the same and just expand the area. Márquez-Simula agreed.

Buesgens said that she would like it to include all Central Avenue up to 53<sup>rd</sup> Avenue and that corporate owned businesses could be evaluated on a case-by-case basis. She asked if a question regarding if they receive corporate funding support for remodeling could be added to the application.

Buesgens asked if La Casita was split between two cities. Several EDA members confirmed the entire property is located in the City.

Buesgens asked if an amount of \$500-1,000 for landscaping could be defined. Novitsky said he thought that could be added later once the expansion of the area has been in place for a while.

Buesgens asked if there has been a year where the full budget was used. Forney indicated there has not, but the years with cameras it has got close; he indicated that hardscaping is currently included. Chirpich stated that "plantings" trends towards the maintenance side.

Buesgens asked if the Olson Plumbing building is occupied because the paint is peeling, there isn't activity, and there are vehicles parked there. Chirpich stated they aren't aware of anything.

Jacobs stated she would be in favor of holding it at 50<sup>th</sup> Avenue this year and expanding next year. Buesgens and Márquez-Simula said they were in favor of expanding to 53<sup>rd</sup> Avenue.

Szurek expressed concern about the expansion to 53<sup>rd</sup> Avenue and corporate businesses being included. She stated she hopes the ones who need the funding will apply.

Further conversation regarding the inclusion of corporate businesses, denying those projects, and the possible legal implications ensued.

Staff polled the EDA commissioners on expanding the area to 50<sup>th</sup> Avenue or 53<sup>rd</sup> Avenue; the majority chose 53<sup>rd</sup> Avenue.

*Motion by Jacobs, seconded by Buesgens, to expand façade improvement grant to 53<sup>rd</sup> Avenue on Central Avenue. All ayes of present. MOTION PASSED.*

#### **5. 3841 Central Avenue NE and 670 40th Avenue NE Discussion**

Forney reported that this item is to discuss the issue of 3841 Central Avenue and 670 40<sup>th</sup> Avenue. Both properties are owned by the EDA and City respectively. It is important for Staff to receive an idea of how the EDA would like to move forward regarding both properties. This issue has been revisited many times over the past few years and Staff would like to finalize any projects or transfers with regards to the properties. Ultimately Staff are looking for guidance on how the EDA would like to handle each situation.

Forney stated that 3841 Central Avenue was purchased in in 2017 for \$200,000 due to the property being commercial non-conforming. After being purchased, Staff worked with Greater Metropolitan Housing Corporation (the "GMHC") to possibly move the house rather than demolish it. During the planning phase, GMHC developed a PRO-FORMA which found that after purchasing the house from the City for a dollar, moving the house, and selling the house they would be in the negative for approximately \$72,153. GMHC came back to the EDA asking if the EDA would provide gap funding for that amount. At the November 6, 2017, meeting the EDA approved the sale of the house for a dollar but did not approve any gap funding. In 2018, Staff along with GMHC brought forth a separate plan which included moving the house to a City owned property at 670 40<sup>th</sup> Avenue. With this, the City would sell both the house and the lot to GMHC for \$1.00 apiece. GMHC would move the house from 3841 Central Avenue to 670 40<sup>th</sup> Avenue but requested gap financing of \$25,000 dollars. The motion for gap financing passed the EDA, 4-2, and the project was referred to the Council. The public hearing never occurred, and the project ceased.

Forney gave the EDA options regarding the future of 3841 Central Avenue. Currently there are utilities, insurance, and other management costs that continue to pile up the longer the property sits vacant. If the EDA would like to reconsider the option of moving the house, the process would require much more staff time without the assistance of the GMHC. The PRO FORMA from 2019 estimated that moving the house would cost a total of approximately \$293,500. If moved to 670 40<sup>th</sup> Avenue, Staff believes the house could be sold for approximately \$300,000 dollars. Add in the \$200,000 initial cost and all the estimated deposition costs \$22,655. The project comes out to a net loss of approximately \$216,155 in 2019. This estimate was gathered by utilizing some of the original PRO FORMA along with bids from contractors. It is assumed that the price of the project would be inflated by a minimum of 16% if it follows the Consumer Price Index and possibly much more with the current market for construction services and materials. This also does not take into

account the amount of Staff time that would be dedicated to receiving bids, approving bids, and managing contractors for the complex project. The final option is to demolish the site in preparation for future development. With an initial cost of \$200,000 and a demolition cost of approximately \$25,000, the total loss for 3841 Central Avenue would be approximately \$225,000. Some of this cost could then be recovered by the sale of 670 40th Avenue for redevelopment which was discussed next.

Forney explained the property's history and stated that in 2008, the owner of the property located at 670 40th Avenue NE (formerly known as 666 40<sup>th</sup> Avenue), reached out to the City via the letter in the packet to inquire about donating the property. Located on the property was a 2-story commercial/residential building that had been used as a dental laboratory. Over time the structure had been vacated and sat in disrepair. As soon as Staff had received the letter, they began to work with the owner's attorney to obtain ownership documents approving the donation of the property. In 2011, before the donation could be executed, the building was posted as hazardous due to a broken pipe that flooded the basement. The structure continued to decline and in 2012 the EDA found that the donation could not be accepted due to outstanding title obligations. In 2016, the title issues had been resolved and the donation of the property had been accepted. Staff worked to demolish the structure on the lot, and it has been empty since then. The donation was accepted with the assumption that the City would keep the lot as an access to the park. The EDA of 2012 decided that the property would be used as a park access due to the zoning issues of the property and the account in the letter submitted, stating that the property had sometimes been used as an access to Huset Park. The property was and still is zoned limited-business which prohibits the lot from being redeveloped as a single-family home. EDA members showed interest in the redevelopment of the lot as a single-family home but chose to forego rezoning the lot to maintain it as a part of the park. All of this is exemplified by the minutes of the EDA meeting dated November 5, 2012, Resolution 2012-15, states the property is being accepted as a park, but there was no formal action taken solidifying that to a deed or any other legal documentation.

There are a multitude of paths forward for the property including the one mentioned with regards to 3841 Central Avenue. If the EDA does not want to take up the redevelopment of the site, or if the Council would like the property to remain a park access. Staff will forward on the results of the discussion to the parks department and allow them to proceed with any recommendations or ideas.

If the EDA would like to redevelop the site, it has multiple options. Developing a single-family residential unit on the property fits in line with the current makeup of the nearby properties. As stated above, the property is currently zoned limited-business. Which does not allow for any creation of single-family residential, even as a conditional use. In order to redevelop single-family on the lot Staff would recommend adding single-family homes as a conditional use to the limited-business district. By adding the conditional use the limited-business district would maintain its commercial focus but allow for selective residential in the Transitional Development District. In the 2040 Comprehensive Plan the Limited Business District, which is called the Transitional Development District, is described as "Commercial/retail development will consist of a mix of neighborhood service-oriented development and varying densities of residential development." The goals set by the comp plan state that "development in this area will focus on strengthening the

residential character of 40th Avenue and allow for opportunities of neighborhood retail/commercial activity.” Currently, the makeup of the limited-business zoned properties on 40th Avenue is 33 single/multi-family residential lots and nine commercial lots. Any change to the conditional use would also affect the other areas zoned limited business. Currently University is made up of 25 limited business lots, and Central has 17 lots. Ultimately the comp plan removes all limited business sections other than 40th Avenue and adds one to the western part of University Avenue between 37th and 40<sup>th</sup> Avenue. In the past Staff have been approached by single family developers interested in the site.

A small multiple-family structure is another possible redevelopment for the site. Currently limited business zoning allows for the development of multi-family housing within the district. The lot would like to require through the proposal process. In the past Staff have been approached by small multifamily developers interested in the site.

As stated before, the property had been a commercial building in the past. A small commercial redevelopment of the site is possible but may prove difficult. Following the Comprehensive Plan, there are no issues with having a small commercial building on the site, yet, many of the small commercial buildings on 40<sup>th</sup> Avenue remain vacant, bringing into question the viability of a small commercial space on the lot. The Limited Business District allows for a multitude of neighborhood like businesses. As mentioned earlier, many of the neighboring properties are made up of residential units which may be opposed to commercial on the site.

Both of the properties have complex pasts, and it is beneficial to devise a solid plan for the future of both sites. For 3841 Central Avenue, Staff recommends the demolition of the site in order to prepare it for redevelopment. The costs of such an endeavor have only increased since the last PRO FORMA and the Staff time required for such a complex project exceeds many of the perceived benefits. The EDA had the chance to move the house in the past but even with the help of a nonprofit, the cost was too prohibitive. With regards to 670 40th Avenue, Staff recommends redevelopment of the lot. We have received interest from a variety of residential developers that have proposed high quality projects ranging from single-family to small-multifamily residential. With the addition of single-family conditional uses to the district, the City retains the right to be selective in the transitional nature of the Limited Business District.

#### Questions/Comments from Members:

Buesgens stated she would be disappointed to demolish the house, but it was expensive to relocate, and that they are going to lose money either way. She also said that residents have expressed interest in preserving the big tree on 40<sup>th</sup> Avenue; if they lot could be sold but preserve the tree otherwise keep it for access to Huset Park.

Jacobs said she agreed with Buesgens on 3841 Central Avenue but that she would like to see a single-family built at 670 40<sup>th</sup> Avenue. Szurek agreed with Jacobs about the single-family home.

Novitsky said he agreed with demolishing the house on Central Avenue and would like the property at 670 40<sup>th</sup> Avenue to be a walkway or more greenspace.



Márquez-Simula agreed about the greenspace and stated that improvements to Huset Park could be done to include a walking path, creating a separate entrance into the park.

Chirpich said that this vacant lot is going to be difficult to develop in the limited-business district area, especially if the Council isn't for a duplex or a tri-plex. Hark stated that the code would have to be changed in order to accommodate a single-family home in the limited-business district and the site is very small. Chirpich stated it could still accommodate a code-compliant small single-family home.

Chirpich stated that this lot is too small for there to be interest in building commercial on the first floor and residential above.

Jacobs suggested that the lot at 670 40<sup>th</sup> Avenue could be sold to offset some of the cost from the loss for the property at 3841 Central Avenue.

Márquez-Simula stated that she thinks the two properties need to be looked at independently when making a decision about them.

Further discussion regarding the park access and how it has naturally become one, and the current and possible landscaping took place.

Buesgens asked what the value of the lot is. Forney estimated the market value to be between \$75,000-\$100,000.

Buesgens suggested that the cost of making it a greenspace be investigated. The EDA asked for more research to be completed on the options for 670 40<sup>th</sup> Avenue.

#### **OTHER BUSINESS**

Buesgens asked if in the future the EDA and Council could consider purchasing more than a half block at a time on Central Avenue for redevelopment. Szurek agreed and stated that Central Avenue is the only area that really can be done for redevelopment, and there are just small half blocks owned by the City throughout the area with houses in between.

#### **ADJOURNMENT**

*Motion by Márquez Simula, seconded by Jacobs, to adjourn the meeting at 7:00 pm. All ayes. MOTION PASSED.*

Respectfully submitted,

  
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Alicia Howe, Administrative Assistant