

# Capital Gains: Rethinking Developmental Fees in Ramsey, MN

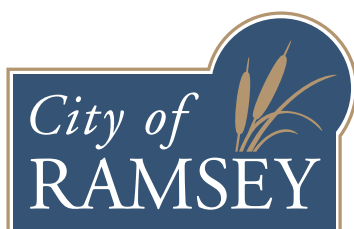


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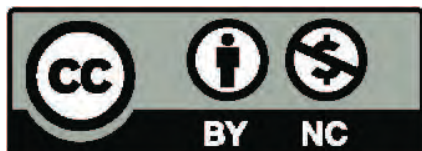
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# Capital Gains

Rethinking Development Fees in Ramsey, MN



## What are *development fees*?

**Definition** : A fee that is imposed by a local government within the United States on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development

## The City of Ramsey and the need for new infrastructure

The City of Ramsey is an emerging suburban community with a population that is growing faster than in comparable cities in the seven-county metropolitan region of Minneapolis-St. Paul. This rapid increase in population growth puts pressure on the city's civic leaders to provide quality infrastructure and services for residents and businesses.

The City of Ramsey must be proactive in providing for the needs of future residents and businesses. **Demands for new business activity and housing bring added costs for infrastructure and public services that will keep Ramsey resilient in the face of future changes.**



**Pictured:**  
City of Ramsey City Hall  
Civic leaders in the City of Ramsey are working hard to make their community resilient in times of growth and change.

## Paying for Infrastructure

Cities, like Ramsey, can provide services such as infrastructure and parks using the income from development fees. **This project aims to better understand development fees and how they impact the inclination of developers to build in Ramsey.** Is the current fee schedule enticing enough, or is there work to be done for the city to be more competitive with other local communities? In this presentation, we will begin by explaining how development fees are established and employed. We will continue by assessing how Ramsey compares to other cities in their assessment of fees for water, sewage, storm water management, and parks. We will conclude by offering new strategies for Ramsey to alter their fee schedule and improve their overall financing for public infrastructure so that they can better compete with other cities for development and provide amenities for their residents.

## By making strategic changes to their fee schedule, the City of Ramsey aims to:



### Attract

Interest developers to build in Ramsey through attractive ideas and development rates.



### Compete

Have development fee rates that compete with other local municipalities.



### Provide

Provide housing, retail, and restaurants for a population that is growing rapidly.

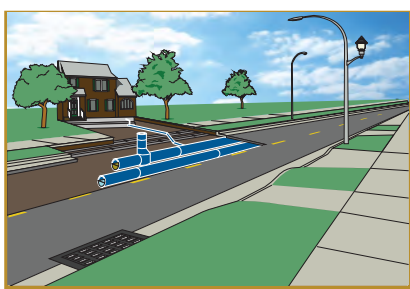
## To address these research goals our project will:

### POSTERS

- 1-2** Define development fees in Ramsey and the United States
- 3-4** Communicate how development fees impact future development in the City of Ramsey.
- 5-7** Compare Ramsey's fee schedule and policy to those of competing cities
- 8** Showcase feedback from developers about the current fee process
- 9-10** Offer recommendations for how Ramsey can improve their fees based on comparisons, feedback, and financing research

## We will carry out these objectives by:

- Reviewing demographic data and development costs for the City of Ramsey to understand their **current uses and aspirations for their development fee schedule**
- **Deploying a comparative analysis** comparing development fees in the City of Ramsey to cities with similar demographics to assess how Ramsey's fees compare to neighboring communities.
- Conducting interviews with developers to assess their experiences and challenges in working with Ramsey to **evaluate Ramsey's development process.**
- Developing a literature review of public finance and development fees to **offer alternative ways to finance public infrastructure and rely less on fees.**



**Pictured:**  
Development Fees enable a city to pay for public infrastructure such as roads, sewage, streetlights, electric lines, and stormwater treatment.

## The Land Use Implications of Development Fees

**Development fees help a city to provide public infrastructure for its residents.**

Cities can charge developers for costs associated with the construction of new roads, sidewalks, streetlights, sewage lines, and more. **Different land use types have different impacts on infrastructure and public services.** Commercial and industrial developments, depending on the business activity, have different needs when it comes to water, sewage usage, and roads due to increased traffic. The same applies to residential developments, where residents will occupy the development for longer periods of time and thus will need more services. Each state and city has its own laws and regulations regarding what fees a city may charge.



**An effective development fee schedule and development process could set the stage for the City of Ramsey to increase its ability to provide housing and parks to become the flourishing, livable city that it intends to be.** The first step is to understand what development fees are and how they influence development

## Where do development fees come from?

# Capital Gains

Rethinking Development Fees in Ramsey, MN



## Development fees were established by...

Local government agencies have been collecting developer impact fees since the 1940s. Impact fees, referred to in this project as development fees, were collected as an alternative financing mechanism for public infrastructure. Here, we explain how fees were given legal standing and the levels of fee regulation that Ramsey employs. <http://bit.ly/2oYm8t1>



### Origins of Impact Fees:

How were fees established as a means for financing infrastructure?

Two Supreme Court cases set the precedent for fees nationwide:

- **Nollan v. California Coastal Commission, 483 U.S. 825 (1987)**  
There must be a "rational nexus" between legitimate state interest and the regulation
- **Dolan v. City of Tigard, 512 U.S. 319 (1994)**  
The regulation must substantially advance a legitimate state interest. The extent of the loss must be proportional to legitimate state interest ("rough proportionality")



### How Fees Are Applied:

What are the legal steps taken by local government to charge fees?

- The City creates a future land use plan to anticipate where and how growth will occur. This land use plan becomes a part of the community's comprehensive plan.
- The comprehensive plan is reviewed and the City determines what level of service it wants to provide.
- Fees are designed to collect sufficient funds to provide public facilities and infrastructure at a certain level of service.

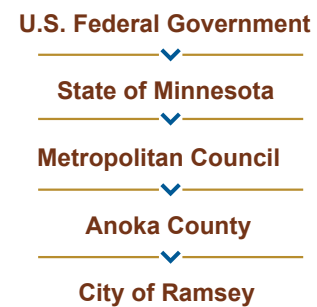


### Minnesota-Specific Fee Regulations:

What fee regulations are unique to the state of Minnesota?

- Regulations may permit the municipality to condition its approval on (1) the construction and **installation of sewers, streets, electric, gas, drainage, water facilities, and similar utilities** and improvements, or (2) receipt of cash or other financial security to provide such improvements.
- Regulations may require that a **reasonable portion of the buildable land be dedicated to the public or preserved for public use** as streets, roads, sewers, electric, gas, water facilities, storm water drainage and holding areas or similar utilities and improvements, parks, recreational facilities (as defined in section 471.191 of the Minnesota State Statutes of Local Government Police Powers), playgrounds, trails, wetlands, or open space.
- **The municipality must adopt a capital improvement budget**, and have either a parks and open space plan or a parks, trails, and open space component in its comprehensive plan.
- Cash payments received must be placed by the municipality in a **special fund** to be used only for the purposes for which the money was obtained.
- Cash payments must be used to build what they are intended for. **They may not be used for ongoing maintenance or operation.**

### Layers of Regulation:



Each layer of government creates its own regulations affecting the policies and implementation of development fees. **A local government's policies cannot be less strict than the policies of government bodies above it.**

## Ramsey's Fee Regulations & Values

What do development fee policies for the City of Ramsey look like?

- The City of Ramsey recognizes that the preservation of land for park, playground, and public open space is essential to the health, safety, and welfare of the residents of the city and persons working in the city. Therefore, land preservation for outdoor recreation spaces is given major importance in the planning and development of the city.
- It is the policy of the City that standards and guidelines for the **dedication of land for park, playground, and public open space** purposes in the subdividing and developing of land within the City shall be directly related to the density and intensity of each subdivision and development.
- The Metropolitan Council imposes sewer availability charges (SAC) directly on local governments, which then pass on these charges to businesses or homeowners. SAC is charged when a residential, commercial, industrial, or institutional property first connects to the regional wastewater (sewer) system. Local governments may also charge SAC when a business grows or a property changes use in a way that creates more demand on the wastewater system.

Park Dedication fees pay for parks that preserve Ramsey's natural features, wildlife habitats, and scenic vistas, while establishing buffers between developed areas



Park trails and greenways provide opportunities for active and passive recreation by connecting Ramsey's prominent destinations



## Takeaways



Development fees give cities an additional source of income to pay for public infrastructure and some public amenities. Ramsey's current policies and fee schedule calculate development fees based on land use: how much land is being used, the density of a project, and how many people will live or work in the new development. By calculating fees in this way, the City of Ramsey incentivizes developments with a higher density.

What needs is the City of Ramsey addressing through its collection of development fees?

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## Development fees finance infrastructure and amenities for Ramsey's growing population...

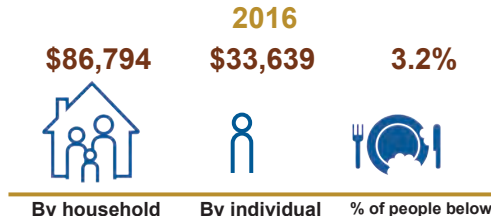
Ramsey's population has been growing at a higher rate than expected. There are needs for more housing and a range of housing types, as well as amenities to attract and retain residents. This poster provides data to explain the changes Ramsey is facing, and highlight the desire and potential for new development.

### Population Growth



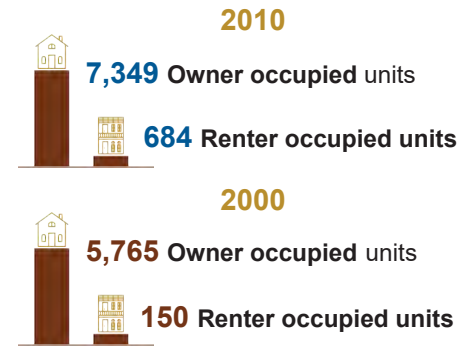
- Population growth in the City of Ramsey has steadily increased since the 1980s. In 2010, population spiked by almost 30%.
- The most recent census data estimates that the current population in Ramsey is 26,206—just shy of the 2020 Metropolitan Council estimate of 26,400.
- This increasing population is the largest driver behind the City's development goals. **More people means more desire for housing, retail establishments, and opportunities to work closer to home.**

### Income Statistics



- The median income in Ramsey is higher than that of Anoka County and the Greater Minneapolis–St. Paul area by more than \$10,000 per household.
- Ramsey has low levels of poverty, with less than 4% of residents living below the poverty line.

### Housing Stock



- Between 2000 and 2010, Ramsey has seen an increase in housing units along with population increases.
- Although the majority of residents rent their homes, the number of those who have rented has increased 4.5 times in the 10 years between the last two decennial censuses.

## Community Desires

Based on information from the 2040 comprehensive plan and interviews with City staff, we know that residents of Ramsey are looking for...



#### Parks & Recreation

- Recreation opportunities
- Large- and small-scale parks, active and passive parks, natural preserves
- System of safe parks and trails
- A variety of park facilities and programs



#### Housing

- Housing that encourages people to choose Ramsey
- A variety of housing types for all life stages and income levels
- High-quality housing
- Safe neighborhoods



#### Retail

- Small-scale retail
- General services
- Restaurants
- Civic green space
- Transit element within a mixed-use concept

Ramsey residents hope to see the city accommodate a population that is growing in number with more parks, restaurants, housing, and other amenities. Does Ramsey have the space for these new developments and the infrastructure to support them?

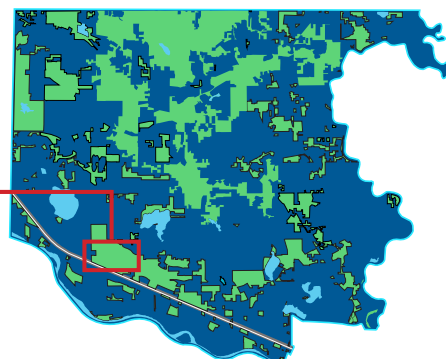
## Current Land Uses

According to its 2040 comprehensive plan, the City of Ramsey views land use planning as the foundation that guides the future of the community. The Metropolitan Council's *Thrive MSP 2040* plan considers Ramsey to be an **Emerging Suburban Edge, which acknowledges the community is transitioning from rural to developed.** Despite this designation, Ramsey aims to maintain the rural charm of the community while embracing the future.

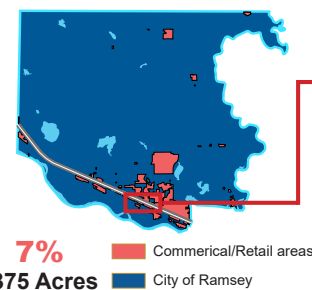
### Developable Land



**Green shading shows developable land.** Concentrated along Highway 10 and the northern border of Ramsey is undeveloped land that is zoned for both residential and commercial development. In the Highway 10 corridor, there is ample space to accommodate restaurant and retail businesses, while the northern portion of Ramsey would be suitable for expanded housing options. In total, there is 5,600 acres of land that is undeveloped but available, comprising 29% of the total land area of Ramsey. In response to the Metropolitan Council's designation of Ramsey as an "Emerging Suburban Community," the City of Ramsey must transition from rural to developed in their land uses. Developing available land is integral to this transition.

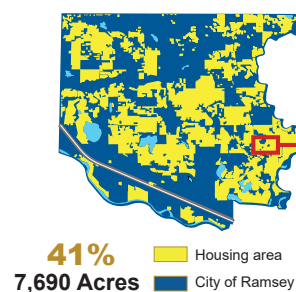


### Zoned for Business



**Businesses along Highway 10, the gateway to Ramsey.** Land along this highway corridor is in a prime location for new commercial and retail opportunities. The COR (Center of Ramsey), located just off Highway 10, is Ramsey's new downtown development. This 300+ acre area provides opportunities to expand in a transit-oriented and walkable urban development. (For more details, see "Highway 10 the Gateway to Greater Minnesota")

### Zoned for Residential



**Single-family homes are abundant in Ramsey, but demand for other housing options is increasing.** The majority of people seeking homes in Ramsey are first-time homebuyers and young families. During the recession, many single-family homes were available at lower cost due to foreclosures and short sales. As the market rebounds, the demand for townhomes has increased as residents look to move from an apartment into their own home. Between 2000 and 2012, 2,700 housing units were built in Ramsey. In 2013, The Residences at the COR was built, adding a fourth general occupancy apartment building to Ramsey's diversifying housing stock. (For an analysis of housing opportunities see "Welcome Home Ramsey")

### Takeaways



We see opportunities for Ramsey to grow and serve the city's needs based on the amount of developable land available.

## How does Ramsey decide how much to charge a developer?

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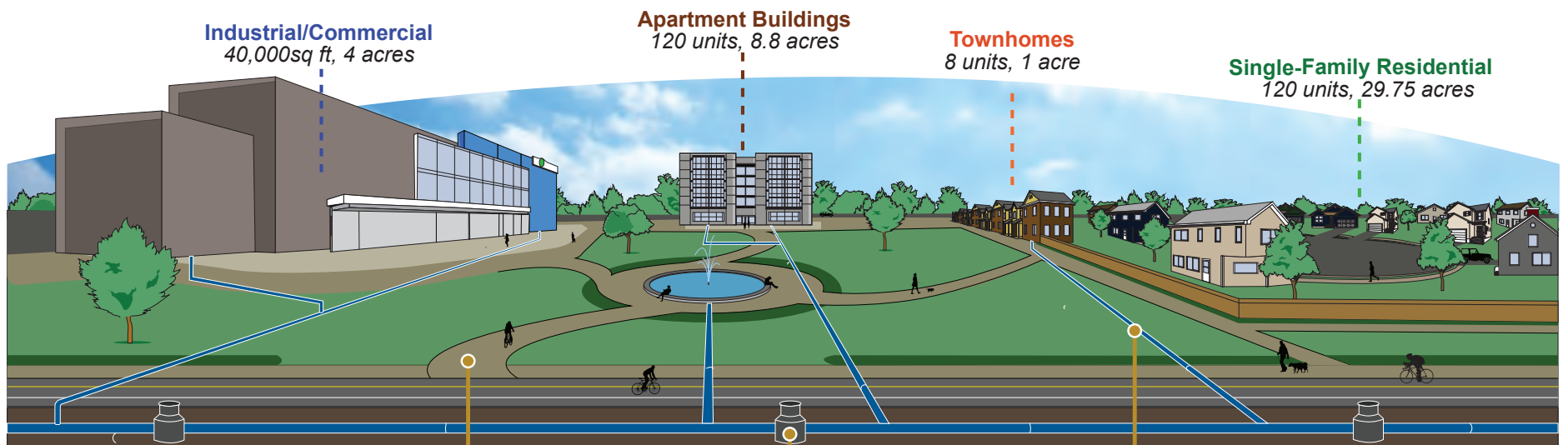


## Ramsey calculates development fees by...

The City of Ramsey has a fee calculator that shows developers how their projected fees would be based on size and scale of the project. Development fees vary by municipality, and cities can assign expenses in several different ways, including flat area-specific rates, type of land use rates, and site-specific assessments.

## City of Ramsey Development Fee Schedule

The City of Ramsey determines fees using **per-acre** and **per-unit** rates. In 2011, the City did a study using four scenarios to show how their rates compared to those in other cities. These four scenarios show the cost of development fees for varying developments—from residential to industrial—and how they are calculated, either by acre or by unit using, the City's fee schedule. A development of varying size and scale is illustrated below. Additionally, we have included an explanation of where the money from these charges is allocated after development.



**Fee Type:** **Park Dedication (Cash) and Trail Fees**

The City of Ramsey charges park dedication cash and trail fees for the future development of parks and trails. A mandate from the State of Minnesota prohibits these fees from being used for park or trail maintenance, so the fees must be used to develop a new park or trail within city limits. The City charges this fee per-unit for residential developments and per-acre for commercial and industrial developments.

**Fee Type:** **Storm Water Management Fees**

Rainwater, snow melt, or ice melt that does not evaporate or infiltrate into the ground is considered storm water runoff. Like Sanitary Sewer and Water Trunk charges, **developments must pay a one-time fee to connect the property to an existing storm water management system.** The City of Ramsey charges this fee per-unit for residential developments and per-acre for commercial and industrial developments.

**Fee Type:** **Sanitary Sewer and Water Trunk Fees**

The funds received for **Sanitary Sewer and Water Trunks** may be used to **offset costs incurred in the installation of existing or future sanitary sewer and water lines**, or any debt service incurred in the past or to be incurred in the future to finance sanitary sewer and water system expansion, improvement, or any combination of the above. In more rural communities like Ramsey, these fees are higher given that new development is farther away from existing sewer and water trunk lines. The City of Ramsey charges this fee per-unit for residential developments and per-acre for commercial and industrial developments.

**While these scenarios are hypothetical, the calculations below use the actual development fee rates for Ramsey.**

## Fee Cost Breakdown

Based on Hypothetical Measurements from 2011 Study

Fee Types:	Sewer Trunk	Water Trunk	Storm Water Management	Park Dedication (Cash)	Trail Fees
<b>Industrial/Commercial</b> 40,000 sq ft, 4 acres	<b>Apartment Buildings</b> 120 units, 8.8 acres	<b>Townhomes</b> 8 units, 1 acre	<b>Single-Family Residential</b> 120 units, 29.75 acres		
\$13,904	\$138,480	\$9,232	\$138,480		
\$25,764	\$206,400	\$13,760	\$206,400		
\$16,800	\$288,600	\$22,400	\$336,000		
\$4,800	\$96,000	\$6,400	\$96,000		
\$18,856	\$56,760	\$3,784	\$56,760		
<b>Total: \$80,124</b>	<b>Total: \$786,240</b>	<b>Total: \$55,576</b>	<b>Total: \$833,640</b>		

### Takeaways



By charging fees per-acre and per-unit, the City of Ramsey makes it easy for developers to know at a glance how much they will pay to build any given project. But Ramsey is just one of many communities vying for new housing and retail developments, so these fees need to be competitive with those in neighboring communities to attract developers. Next we will explore the cost to develop in the nearby cities of Dayton, Big Lake, and Elk River.

How do Ramsey's development fees compare to neighboring cities?

# Capital Gains

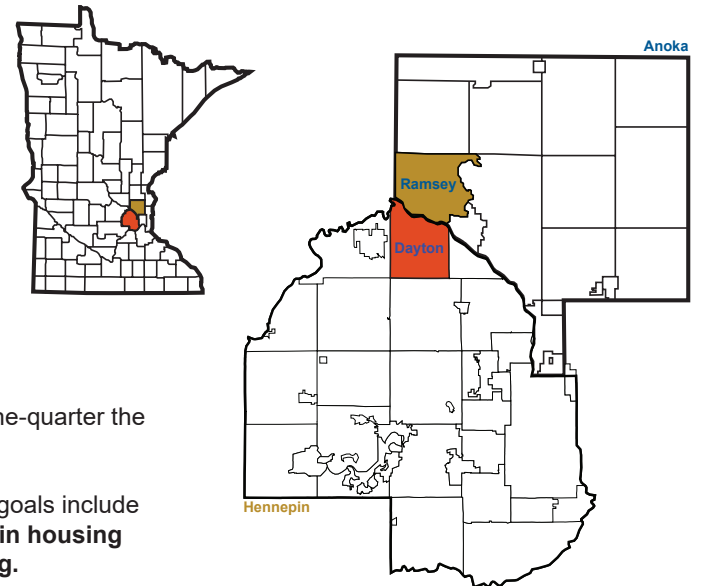
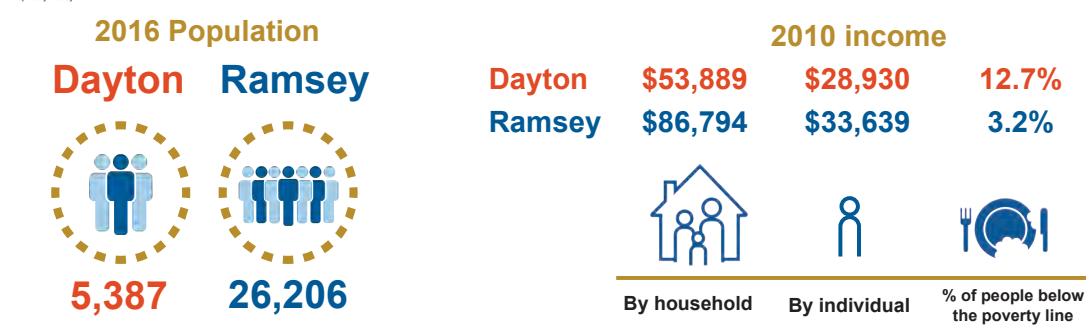
Rethinking Development Fees in Ramsey, MN



## Cities Like Ramsey: Dayton, MN

In considering the opportunities the City of Ramsey has for attracting developers and addressing the needs of the community, it is important to look outside of Ramsey and see how other cities approach these fees. We explore how Dayton, a neighboring city with a similar population, attracts developments and assesses development fees.

### Demographics



The City of Dayton is just south of Ramsey. It is approximately 25 square miles, with a population about one-quarter the size of Ramsey and a lower income per household and per individual.

Dayton's 2040 Comprehensive Plan and accompanying land use plan focus mostly on housing goals. These goals include promoting well-planned neighborhoods that are connected through trails and parks; providing variety in housing styles, densities, and choices; and improving the availability of affordable housing and senior housing.

The City of Dayton offers an excellent development fee comparison because its land-use goals are similar to Ramsey's. Additionally, Dayton is the only municipality, that like Ramsey, has flat per-acre and per-unit fees instead of assessments based on land size or value.

### Fee Schedule Comparison

Comparison are based on measurements of development types from the 2011 Ramsey fee study (see poster 4). Dayton's prices are based on their fee calculator.

	120 Single family homes, 29.75 acres	8 townhomes, 1 acre	120 unit apartment building, 8.8 acres	Industrial Development, 4 acres
<b>Dayton</b>	\$1,140,119 (+37%)	\$69,664 (+25%)	\$1,004,941 (+28%)	\$81,372 (+2%)
<b>Ramsey</b>	\$833,640	\$55,576	\$786,240	\$80,124

#### Why is there a difference in the fees

Despite being competitive on many of the fees, Dayton charges substantially more than Ramsey for trail fees and storm water and trunk management for residential developments. For commercial developments, the two cities charge nearly equal fees.

#### What development trends are seen in Dayton?

Despite having significantly higher fees than Ramsey, Dayton has had success attracting residential development. As of fall, the City of Dayton had issued 158 single-family home permits in 2017. This emphasis on housing development is in line with the City of Dayton's 2040 Comprehensive Plan. They have also been able to entice commercial development to bolster the tax base and provide jobs.

#### What can the City of Ramsey learn from Dayton?

Ramsey should take a closer look at why they may not be as competitive at attracting residential subdivisions and other development as neighboring Dayton. By attracting residential development that adds to the City's tax base, Dayton is creating a solid foundation for sustainable growth. Ramsey should explore ways to be more competitive with other municipalities.

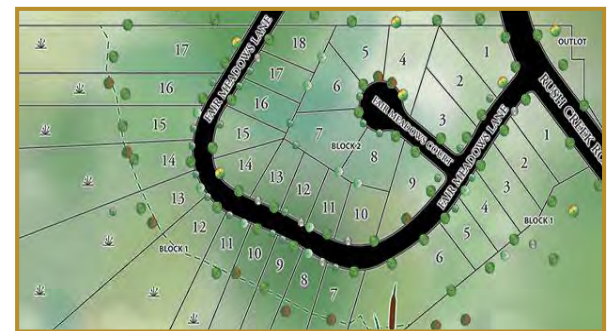
### Examples of Recent Development



**Sundance Woods** is located south of Sundance Golf course. The development includes 192 single-family lots priced from the \$400,000s. Lennar is the sole builder in Sundance Woods.



**RDO Construction Equipment Sales and Maintenance Facility** is located between Holly Lane and I-94. The facility will sell and repair construction equipment. Development will begin in spring 2018.



**Rush Creek Landing** includes 35 lots, and is located off of Rush Creek Road north of Territorial Road. As of fall 2017, homes are under construction and the development is nearly sold out.

#### Take Aways



Dayton has had success attracting residential development that offers affordable homes likely to attract younger families looking to put down roots. The City of Dayton is just one example of how a neighboring city compares to Ramsey with respect to development fees. There is more that Ramsey can learn from other communities.

What does a developer pay for development fees in Big Lake?

INTRODUCTION	IMPACT FEES	DEMOGRAPHICS	DEVELOPMENT	COMPARISON I	COMPARISON II	COMPARISON III	DEVELOPERS	FINANCING	PROPOSALS
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# Capital Gains

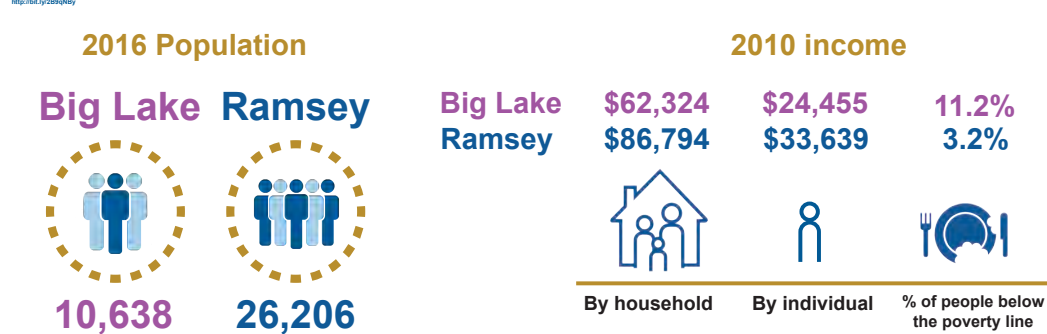
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## Cities Like Ramsey: Big Lake, MN

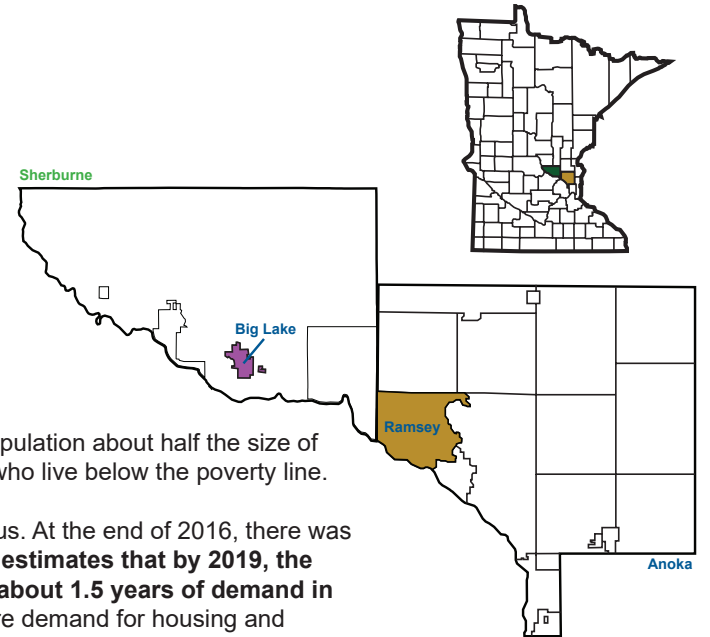
In considering the opportunities the City of Ramsey has for attracting developers and addressing the needs of the community, it is important to look outside of Ramsey and see how other cities approach these fees. Next we explore how Big Lake, a neighboring city with a similar population, attracts development and assesses development fees.

### Demographics



The City of Big Lake is located to northwest of Ramsey. It is just under 8 square miles in size, with a population about half the size of Ramsey and a lower average income among residents. Big Lake has a substantially higher rate of people who live below the poverty line.

As Big Lake updates its 2040 Comprehensive Plan, facilitating residential development has been a key focus. At the end of 2016, there was 1,184 acres of undeveloped land—about a 1/5 of Big Lake's total land base. In terms of housing, Big Lake estimates that by 2019, the supply of lots available for residential development will decrease to approximately 100, enough for about 1.5 years of demand in the city based on past trends. The City has considered annexing nearby Big Lake Township to meet future demand for housing and ensure that enough land is zoned for development and served by infrastructure, so that land prices are not artificially inflated by supply.



The City of Big Lake makes an excellent comparison for development fees because like the City of Ramsey, it is located on the Northstar Commuter Rail line, which has increased demand for development, particularly housing.

### Fee Schedule Comparison

Comparison based on measurements of development types from 2011 Ramsey fee study (see poster 4). Big Lake's prices are based on their own fee calculator.

	120 single-family homes, 29.75 acres	8 townhomes, 1 acre	120-unit apartment building, 8.8 acres	Industrial development, 4 acres
<b>Big Lake</b>	\$492,781 (-40%)	\$26,980 (-51%)	\$361,424 (-54%)	\$27,920 (-65%)
<b>Ramsey</b>	\$833,640	\$55,576	\$786,240	\$80,124

#### Why is there a difference in the fees?

The City of Big Lake does not charge for storm water management infrastructure, and includes trail fees in the park dedication fee they charge, making their fee schedule look substantially cheaper than the City of Ramsey. However, they ask for a \$300,000 minimum park dedication in cash. Depending on the project, the costs could be higher.

#### What development trends are seen in Big Lake?

Another community hard hit by the recession, Big Lake issued an average of 25 building permits per year for new residential construction from 2007 to 2016. As of August, they had issued 85 permits for new residential construction in 2017. Two new subdivisions have been platted this year, both capitalizing on Big Lake's proximity to Minneapolis-St. Paul and the Northstar Commuter Rail.

#### What can Ramsey learn from Big Lake?

The City of Ramsey should further investigate why the City of Big Lake does not charge storm water management fees and then assess whether or not this fee should be charged. Additionally, they should be conscious of the growing housing market in Big Lake and work to stay competitive.

### Examples of Recent Development



**The Woods at Eagle Lake** was built with large, roomy lots and direct access to 50 acres of open space. The first 20 homes were made available in spring 2017, with another 8 homes planned for phase 2.



**Northern Star Apartments.** The City entered into an agreement with the developer to provide tax increment financing (TIF) assistance for the construction of 76 apartment units to be built in two phases.



**Sanford Select Acres** is the first development from LGI Homes in Minnesota. These 150 homes are all priced at less than \$300,000 and are located minutes from the Northstar Commuter Rail line.

#### Takeaways



Despite a downturn in development during the recession, Big Lake is experiencing rapid growth. Similar to Ramsey, proximity to the Northstar Commuter Rail line makes Big Lake more desirable. Combining park dedication and trail fees to reduce the number of fees imposed on new development might be an option for the City of Ramsey to consider. Dayton and Big Lake are examples of communities where residential development is the primary focus, but not all cities are concerned with adding to their housing stock.

#### What does a developer pay for development fees in Elk River?

# Capital Gains

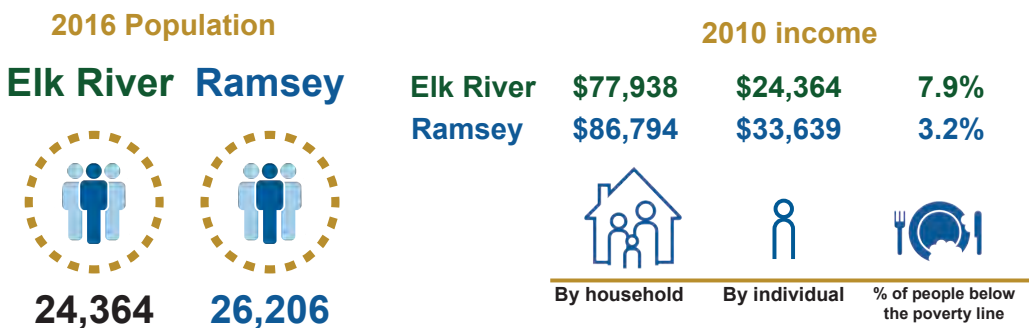
Rethinking Development Fees in Ramsey, MN



## Cities Like Ramsey: Elk River, MN

In considering the opportunities the City of Ramsey has for attracting developers and addressing the needs of the community, it is important to look outside of Ramsey and see how other cities approach these fees. Next we explore how Elk River, a neighboring city with a similar population, attracts development and assesses development fees.

### Demographics



The City of Elk River is Ramsey's neighbor to the northwest. Almost double the size of the Ramsey at 43 square miles, the population of Elk River is very similar to Ramsey, though its residents earn less on average than Ramsey residents.

In 2013, roughly one-third of Elk River (8,840 acres) was undeveloped. Unlike Dayton and Big Lake, Elk River's primary focus is commercial-industrial development and not housing growth. The Economic Development Authority (EDA) operates independently of the city as an intermediary between developers and the City government. This allows the EDA to attract commercial development and jobs by helping business owners apply for and receive grants and financing, which ultimately makes developing in Elk River cheaper.

The City of Elk River provides an excellent comparison for development fees because they are actively trying to attract commercial-industrial development and jobs to the community, and are similar in to Ramsey in terms of geography and population.

### Fee-Schedule Comparison

Comparison based on development types from the 2011 Ramsey fee study (see poster 4). Elk River's fees are based on their fee calculator.

	120 single-family homes, 29.75 acres	8 townhomes, 1 acre	120-unit apartment building, 8.8 acres	Industrial development, 4 acres
Elk River	\$174,022 (-79%)	\$40,502 (-27%)	\$599,313 (-24%)	\$5,304 (-93%)
Ramsey	\$833,640	\$55,576	\$786,240	\$80,124

#### Why is there a difference in fees?

At a glance, the City of Elk River appears cheaper in terms of fees. That is because sewer trunk and storm water management fees for any project are assessed based on projected usage. This ensures Elk River does not undercharge developers for these municipal services.

#### What development trends are seen in Elk River?

Most development in Elk River is industrial or commercial, with the EDA focused on attracting business development to bring jobs and tax revenue to the city. Programs like property-tax abatement, microloans, and an HRA Blighted Properties Loan Program that aims to revitalize older, unsightly building for new uses have all helped bring hundreds of jobs to the community over the past few years.

#### What can Ramsey learn from Elk River?

Although there are benefits to a fee schedule that identifies upfront costs based solely on acreage or density, there is also greater flexibility in assessing fees based on usage. Ramsey may wish to explore this option as an alternative method to assess some fees.

### Examples of Recent Development



**Die Concepts, Inc.**, was the first company to use the Elk River EDA's new HRA Blighted Properties Commercial/Industrial Forgivable Loan program this year. They purchased the former 21,000 square foot Minnesota Fabrication building in April 2016, gutted the interior, and retrofitted the building for its current use. The company will relocate 12 full-time jobs to the city paying an average hourly wage of \$25/hour.



**Sportech, Inc.** In 2015, the City of Elk River used property-tax abatement to incentivize construction of a 105,000 sq. ft. manufacturing facility. Sportech also received a Job Creation Fund award from the Minnesota Department of Employment and Economic Development in the amount of \$175,000. Sportech, Inc. will hire 72 new full-time employees over the next five years and retain over 204 jobs.



**GATR Trucking** opened its Elk River location in 2016. The business was projected to create approximately 38 new jobs by the end of 2017, with an average pay of \$32.89 an hour. In addition, this project is estimated to generate approximately \$160,000 per year in property taxes.

#### Takeaways



By having an EDA instead of a traditional economic development department, the City of Elk River has become highly attractive to businesses and developers by offering loans and grants. This may be a model that the City of Ramsey wishes to explore as a means of growing jobs and businesses in the community.

#### What do developers think about development fees?

- INTRODUCTION
- IMPACT FEES
- DEMOGRAPHICS
- DEVELOPMENT
- COMPARISON I
- COMPARISON II
- COMPARISON III
- DEVELOPERS
- FINANCING
- PROPOSALS

# Capital Gains

Rethinking Development Fees in Ramsey, MN



## What do developers think?

Because there are many different approaches to how municipalities charge development fees, it is important to explore how development fees impact developers. In this poster, we present how two developers feel development fees impact their decision to proceed with a development or not, and how communities can be more competitive with one another. In the months of November and December 2017, we corresponded via email with a simple questionnaire to gather their opinions. Their responses are shown below.

## The Developers We Interviewed



Lennar is a national, publicly traded company that develops land and builds homes throughout the country



Ivy Properties is a real estate development and asset management firm

Based on our communications with these two developers we gathered information about their different experiences in the City of Ramsey. Through their responses we can gather insights into Ramsey's development fee schedule and overall competitiveness.

## When you consider developing in any particular municipality, are development fees a consideration? Why or why not?



“ There are obviously many variables a development team must take into consideration when stepping into a new community, and since development fees can vary dramatically from city to city, any experienced developer should make sure one of their first stops is City Hall to identify the types of fees for development on the specific parcel or parcels they are exploring. It is difficult to say one fee has a higher or lower significance seeing as how anyone proposing a new development/project or even a renovation would be required to pay all fees associated with the type of project that is being proposed. **In our viewpoint, development fees have become a hard cost of the capital budget, and that is why they need to be identified early on in the development process, so it can be determined if a new development is even achievable.** ”



“ Yes. When reviewing the feasibility of a new community one of the first things reviewed are the projected costs. **There are 3 main components of cost: (1) Price of the land, (2) cost to develop land (includes development fees), and (3) cost to build a home.** There are variables within each component, but the net costs help determine the amount that can be paid for land. In other words, if costs are particularly high (including development fees), it is likely the land seller gets a lower price for their land. ”

## Have you developed a project in the City of Ramsey?



“ A few years back we met with the City, but unfortunately, we were unable to bring a development forward. **Our focus was on multi-family housing at the time and the economic feasibility did not work. For new apartments the rent levels were not strong enough to justify the construction costs, or get the attention of an investor, or even a bank.** This was obviously in the COR area, but even the market study didn't show a strong demand. I know they have had an apartment building that was built a few years back that wraps the parking structure, but that group was willing to take that risk ... that is rare. ”



**Pictured:** The Residence at the COR  
Developer Ivy Properties references the 230 unit luxury apartment building built in the COR of Ramsey in 2014.  
Photo Courtesy of The Residence at the COR



“ Yes. We have one active neighborhood in Ramsey called Woodlands and we have completed several others in the city over the years. **We selected Woodlands for the ability to build single-family homes for a price that we felt could be competitive in the marketplace.** The site is fairly wooded and offered very attractive natural amenities to potential customers. ”



**Pictured:** The Woodlands - a subdivision in Ramsey, developed by Lennar.  
The plat has 85 homes and was desirable because of the natural elements of trees and wetland areas.  
Photo Courtesy of Lennar

## Do you feel that the City of Ramsey is more or less competitive in fees than other communities?



“ **The City of Ramsey does have competitive fees when compared to other cities where Lennar is developing communities, which spread across the Twin Cities metro.** Two of those cities that are closest to Ramsey are Otsego and Anoka. Anoka is largely developed with few opportunities for large tracts of undeveloped land. Because of this, the land that is being developed is closer to established infrastructure and utilities, lowering the cost of trunk fees, staff processing fees, etc. Ramsey, on the other hand, does have more undeveloped land further outside of the city center. As a result, Ramsey and Otsego's general trunk and application fees are higher to help support the long-term maintenance to the new infrastructure. ”

“ **Numbers wise, Ramsey falls about in the middle of Otsego and Anoka's fees. The same can be said when comparing all 2017 community fees—Ramsey's fees are about the median.** Two cities that stand out as having high fees are Woodbury and Inver Grove Heights. **Let's compare the plat fees of the three cities for a large subdivision: Ramsey's fee sum \$1,850 (application plus escrow); Woodbury preliminary and final plat fees sum up to \$11,500 plus \$50/lot/unit; Inver Grove Heights' sums up to \$6,600 plus \$5 per lot for the preliminary plat and \$25 GIS fee.** While there are a lot of influencing factors out of city control, it is important for them to be aware of how they compare to others so that they can adjust accordingly to maintain that competitive edge. ”

## Takeaways



For developers, development fees are just one element of a larger calculation, where project viability depends on total development costs. Cities like Ramsey need to consider all aspects of the fee schedule, from trunk fees to plat fees, to ensure they continue to be competitive. This competitiveness makes land more affordable, developers more interested in developing in a community, and the economic viability of a project more likely.

## So how can Ramsey innovate to become more competitive?

- INTRODUCTION
- IMPACT FEES
- DEMOGRAPHICS
- DEVELOPMENT
- COMPARISON I
- COMPARISON II
- COMPARISON III
- DEVELOPERS
- FINANCING
- PROPOSALS

# Capital Gains

Rethinking Development Fees in Ramsey, MN



## Development Fee Recommendations

We have explored many approaches to development fees, and how fees impact a community's competitiveness and ability to attract development. **Our biggest take away is that there is no one-size-fits-all solution for how cities should assess development fees. However, there are several factors that the City of Ramsey may want to consider as it rethinks development fees in the future.**

## Factors Ramsey Might Contemplate

Consider:

### Incentivizing Job Growth

The City of Ramsey may want to invest more time and energy into identifying ways to incentivize businesses and industry to bring jobs to Ramsey. As shown in our previous poster about the City of Elk River, a focus on working with companies to earn MN DEED grants or providing tax abatements has been an effective strategy for bringing jobs into the community and contributing to commercial-industrial growth. **More jobs could bring more families, and thus spur further development in Ramsey.**

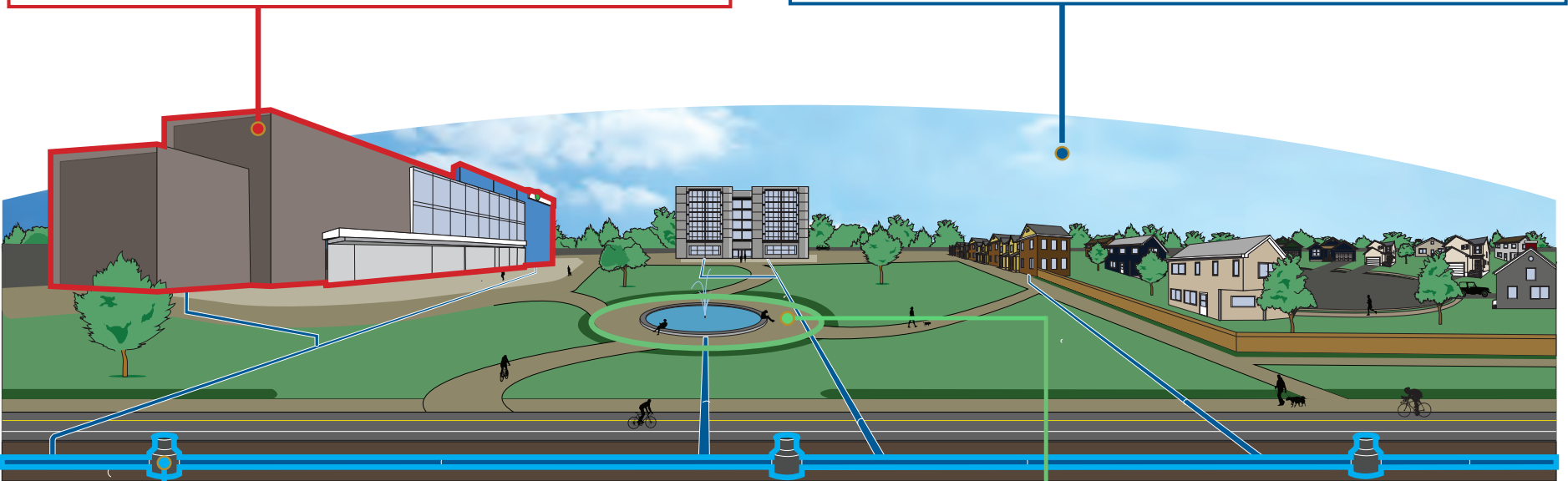
The City of Elk River's forgivable loan program to renovate blighted buildings was an innovative solution to a problem the town was facing. **The City of Ramsey should consider similar innovative solutions that would be beneficial for the city.**

Consider:

### Looking at the Bigger Picture

The types of fees we evaluated are only a few of the fees developers will pay when they develop in the City of Ramsey. In fact, both of the developers we spoke to noted that these fees are not the biggest consideration for them when scouting a location for a project. **As Lennar noted, other fees that we did not evaluate are equally important for the City of Ramsey to remain competitive.** The City of Ramsey should critically evaluate all of these fees because as development in Ramsey continues, the need for certain charges will dramatically decrease.

**Additionally, it is important for the City of Ramsey to consider the effect of high development fees on the value of land.** Insight from developers shed light on the fact that higher development fees can make land less valuable, creating less of an incentive for landowners to sell their property.



Consider:

### Assessing Some Fees

As we have seen in our examples, many cities choose to assess fees based on usage rather than charging a flat rate. Calculating per-acre and per-unit fees, as Ramsey does now, simplifies the fee schedule and makes it easier for developers to compute what a project might cost. **Assessing fees, such as water and sewer trunk charges, based on usage may give Ramsey a more competitive edge as it would allow consideration of not just the acreage or density of a proposed development but also the needs of businesses and homeowners.**

As Ramsey becomes more developed, sewer and water charges are likely to go down as more parcels of land will be closer to existing sewer and water trunks. Conversely, remote parcels may require more build out for these services. **An assessment assures that the city never charges too much or too little to provide these services.**

Consider:

### Lowering Park Fees

Park and trail fees are among the highest fees that developers will pay when doing a project in Ramsey. The cost of development would be significantly cheaper if the City of Ramsey found ways to bring the costs down. **The first option would be to levy or bond to raise revenue for park and trail development.** This would allow the City to charge developers less in fees and still provide world class amenities.

**Another option for lowering park fees would be to ask developers for park land dedication instead of cash.** A developer would be obligated to set aside a portion of the land they are developing for a City-owned park that would be open to the public and maintained by the City. The City would need to establish minimum standards for land to be eligible for park dedication to ensure the City is not stuck with "throwaway" parcels the developer can find no other use for.

## Takeaways



**These considerations are only a few of the possible changes the City of Ramsey could make to be more competitive in their development fee schedule.** As the development landscape and needs of the city change, development fees will need to be adjusted accordingly. Our final poster explores innovations in financing and how they can help Ramsey envision the future.

How can the City of Ramsey become more competitive in public infrastructure financing?

INTRODUCTION

IMPACT FEES

DEMOGRAPHICS

DEVELOPMENT

COMPARISON I

COMPARISON II

COMPARISON III

DEVELOPERS

FINANCING

PROPOSALS

Resilient Communities Project  
UNIVERSITY OF MINNESOTA  
Driven to Discover

PA5211: Land Use Planning / Instructor: Fernando Burga PhD.

Todd Austin, Denetrick Powers & PeggySue Imihy



# Capital Gains

Rethinking Development Fees in Ramsey, MN



## Public infrastructure finance innovations

Public infrastructure is a major cost to Ramsey and other emerging suburban communities. As Ramsey continues to urbanize, it will need to think of strategic ways to maintain a healthy, green, and vibrant community. By assessing its current mechanisms for financing infrastructure and exploring strategic financing options such as public-private partnerships, Ramsey can remain resilient and competitive at attracting development. **In this poster, we present some options for Ramsey to finance their infrastructure, giving them more flexibility when it comes to development fees.**

## Elements of Potential Financing Strategies:



### New Sources of Repayment

- Extension of local option sales tax
- A defined percentage of State General Fund revenues
- Other user-related fees



### New Methods of Service Delivery

- Make it easier to outsource operations/maintenance
- Broaden application of procurement techniques



### New Sources of Investment Capital

- Public pension funds
- Leveraged leasing
- Reduce project-size threshold for government programs



### New Methods of Paying Financial Return

- Tax credit bonds
- Variable rate bonds
- Subordinate loans/bonds

To help think about reducing fees paid by developers, the City of Ramsey could explore tools that help them finance public services other ways. We talk through one possible tool that local leaders can use below.

## Financing Tool:

For developers, water and sewer charges are the second most expensive development fees in Ramsey, after park dedication fees. To help communities make informed decisions about their drinking water, waste water, and storm water infrastructure needs, the U.S. EPA Water Finance Center developed a “Water Finance Clearinghouse.” Using this web-based portal, communities can identify water infrastructure funding and financing sources, financing mechanisms and approaches, and funding access and readiness



## Cities Who Utilized the Tool:



Pictured: Menomonee Falls Water Tower

### Menomonee Falls (Wisconsin)

In an effort to keep rates low for its customers, the Village of Menomonee Falls, Wisconsin Water Utility has leased water tower space to cellular service providers since 1996. As of 2017, Menomonee Falls had contracts with five different wireless companies to lease space on its two water towers. The most recent of these contracts is a 5-year contract with T-Mobile, which included a 3% annual increase in the lease rate for each of the five years. Collectively, the contracts provided approximately 3.5% of the utility's total 2016 revenue.



Pictured: Belle Joill Winery, Event Center

### Sturgis (South Dakota)

Sturgis, a city in eastern South Dakota, was awarded a \$244,357 matching grant from the local infrastructure improvement program, a state program designed to assist with funding the construction or reconstruction of infrastructure for the purpose of serving economic development projects. As a result, Sturgis was able to extend utilities to a newly annexed portion of the city. The grant also supported the development of South Dakota's first and only sparkling wine production facility. The project created new jobs and lead to the development of a \$3.2 million residential project to provide homes for Sturgis' growing workforce.

Communities of all sizes are using tools similar to “The Clearinghouse” and finding useful strategies to accomplish community goals. By using resources provided by the Environmental Protection Agency and learning from peer communities, Ramsey can find solutions for present and future financing needs.

As a foundation for public infrastructure finance (PIF) development, here are six questions that can assist Ramsey to frame policy decisions.

- What innovation in PIF development and operations ensures the productivity required by the economy and provides the service quality expected by users and communities?
- What balance of PIF modes is optimal, and can we find creative designs to serve users, the environment, and the economy?
- How do we structure development and operations of PIF, and what roles should private and public enterprise play across the system life cycle to serve the public interest?
- How do we determine the desirable service fees and assessments, and how should they be applied across PIF modes and among the various beneficiaries?
- How can we justify the need for PIF investment, and what system performance is demanded by the public and the economy?
- What are the sources of capital for PIF development and renewal, and how can private funding and public-private partnerships share investment, costs, and revenues?

## Takeaways

By being creative and using non-traditional methods of finance repayment, delivery, and investment, the City of Ramsey can minimize the challenges of financing future public infrastructure and relying too heavily on development impact fees. **Asking the above critical questions about the way public infrastructure finance operates, while also determining the level of need and demand, can help communities create thriving, sustainable, and resilient economic environments that benefit both local government and private industry.** Financing public infrastructure is a challenge that many emerging suburban communities are facing due to decreased federal funding. This has led to a reduction in development incentives, shifting costs to developers and, ultimately, future homeowners and businesses. Public-private partnerships have emerged as a promising way to help finance projects, but communities can also learn from one another by exploring new ways to finance infrastructure projects.

INTRODUCTION

IMPACT FEES

DEMOGRAPHICS

DEVELOPMENT

COMPARISON I

COMPARISON II

COMPARISON III

DEVELOPERS

FINANCING

PROPOSALS

Resilient Communities Project  
UNIVERSITY OF MINNESOTA  
Driven to Discover

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