

City of Sandstone
EDA Meeting Minutes
February 27, 2019

CALL TO ORDER: 6:02 p.m.

ROLL CALL: Kester, Spartz, Franklin, Devlin, Palmer, Anderson and LaBounty

Members absent: None

Staff present: Administrator George and Recording Secretary Nelson

Others present: Lorien Mueller, Maria Riewer & Jodi Isaacson representing Great Lakes Management

PLEDGE OF ALLEGIANCE:

Council, guests and staff recite pledge of allegiance.

APPROVE AGENDA

Motion Devlin, second Palmer to approve the agenda as presented. Motion carried 6-0 (Franklin arrived shortly after).

APPROVE MINUTES

Motion Palmer, second LaBounty to approve November 28, 2018 and February 6, 2019 meeting minutes. There was no December 2018 meeting. Motion carried 6-0.

PUBLIC HEARINGS / PRESENTATIONS: None

NEW BUSINESS:

Wild River Properties Report

Lorien Mueller, Senior Director of Property Management at Great Lakes Management, reviewed reports with the EDA and answered questions. The year-end overview for 2018 shows the apartment revenue was just below budget, possibly due to a budgeting error. The effective revenue was over budget. That is largely a result of lower than expected vacancy rates. Overall, expenses were under budget. The two categories that were over budget were insurance and real estate tax (due to the PILOT payment, which is based on a formula and is affected by vacancy rates) and repairs and maintenance (due to additional carpet and heating replacements). Due to these favorable numbers, the EDA does not have to contribute funds towards the bond payment this year.

2018 Occupancy for the senior building averaged 98.8%. Occupancy at the townhomes averaged at 95.25%. Both were slightly higher than in 2017. The senior building survey (done by a third party) showed that people are happy with the service and the response rate. The “outstanding” level was achieved in all categories. There is still a waiting list for the senior building and for the townhomes.

The management agreement between the City and Great Lakes Management is expiring in June – it was a 3-yr contract. Mueller will bring a proposal for discussion at the April EDA meeting. EDA Members congratulated Jodi and Jason Isaacson for the great job they are doing.

EDA Business Breakfast

The first EDA Business Breakfast was held in April 2018. It was well-attended and the information provided was well-received and Administrator George is open to organizing another in 2019. The EDA asked about the feedback. Those who responded to the questionnaire wanted more information about marketing and social

media. Attendance was about 30% of those invited. The EDA voiced approval and asked if there was a way to address the subjects that were requested. George will attend to the details.

Motion Devlin, second Palmer to organize a Business Breakfast on April 11th at 7 a.m. Motion carried 7-0.

Mobile Food Units

The topic of mobile food units was discussed in November while the EDA deliberated on ways to bring more people into town for evening events. Administrator George put together a draft ordinance for review. The ordinance allows for a temporary permit or an annual permit. There would be an exemption for those involved in and registered with Quarry Days. The required insurance was discussed. The current ordinance exempts ice cream trucks. George was asked to check into the insurance requirements and ice cream exemption and report back.

Habitat for Humanity – Set Special Meeting Date

Spartz and George met with Wayne Ellers, Executive Director of East Central Minnesota Habitat for Humanity. Ellers is interested in building homes in Sandstone and would like to make a presentation to the City. George stated that they reached out to Habitat for Humanity in relation to the tax forfeited properties. She stated that only three building permits for single family homes have been issued in the last ten years. One of the problems is that the cost to build a house is more than the house will be worth when it's built.

Motion Palmer, second Franklin to set a Special EDA Meeting for March 6, 2019 at 6:00 p.m. for a Habitat for Humanity presentation. Motion carried 6-1 with Devlin dissenting.

CONTINUING BUSINESS:

Various Updates

The following updates were provided:

- Shovel Ready Status for the Business Park - The application has been submitted to DEED. They are asking for the following (updated info is provided in red text):
 - The Phase I ESA you provided is for a small area of the entire shovel ready site. Can you please provide a new Phase I for the entire 115 acres? Worth noting is that the provided Phase I does reveal that a Leaking Underground Storage Tank (LUST) was identified at the Sandstone Municipal Airport, which is located on the site. I will be paying close attention to this LUST listing to ensure no contamination remains on the Property. **In contact with SEH to inquire about the status of the cleanup of the LUST site and the potential impacts it could have on a Phase I for the property. Would it trigger a Phase II automatically (this would need to be completed if it is indicated as part of a Phase I)? Should we re-evaluate the site submitted for the Shovel Ready application based on this? See Amber's response to my question about are we out automatically if there was a tank leak once upon a time there or, if it was cleaned up would it then be shovel ready eligible if the Phase I does get completed and confirms that cleanup? Hi Leah, You are not automatically ineligible if there is a past leak on the property. But the leak does need to be delineated and cleaned-up. In your case, the Phase I needs to be completed. Your consultant may recommend a Phase II. If they do, that will need to be completed as well. Amber is the consultant that is in charge of processing the applications for the Shovel Ready Program.**

- Title Commitment (2006 ALTA Commitment Form) **They accepted the documents as submitted. Response from Amber: I did speak with DEED back in early December about those other items and those documents satisfy their requirements.**
- Proof of Ownership. Please provide a deed or purchase agreement. **They accepted the documents as submitted. Response from Amber: I did speak with DEED back in early December about those other items and those documents satisfy their requirements.**
- The attached topographic map is missing a Property outline. Can you please add this? **Re-submitted with property outline.**
- DEED requires a Geotechnical Report covering the entire property. You did provide two documents with soil borings, however these had limited scope with borings not taken on every parcel. **Accepted as submitted. Hi Leaha, I did hear back from our geotechnical expert and she said that enough samples were taken at the site to represent the entire area. You do NOT need a new geotechnical report.**
- In addition, I have a few questions about the site photos you provided. **Following up with Amber to see if this was satisfied.**

George discussed with the EDA whether or not acquiring the “shovel ready” designation was going to be worth it. The process is causing additional expenses with the Engineer. Plus, the City had to do an ALTA survey for \$7,500. She stated that much of this work has a shelf life and will have to be redone after a certain amount of time. With no pending interest in the business park lots, George wondered if the EDA’s efforts should be elsewhere. Franklin suggested the scope of the shovel ready application be reduced to include only the properties that are north of Airport Road.

- Housing-The City acquired 5 tax-forfeited properties from the County. Structures on three of the properties have been demolished. In the spring, there may be some grading and seeding that is needed. The Fire Department conducted a training burn at 1114 Birch Ave on February 2nd. The accessory structures still need to be removed in the spring, along with some grading work and seeding. The Fire Department is interested in another training burn at the remaining property, but not until summer. The EDA discussed the properties in relation to when to put them up for sale.

Costs on these properties so far include the following:

Property	Description	Amount
605 Park Ave	Property Acquisition	14.73
	Asbestos Testing	625.00
	Abatement	3,193.50
	MPJ – Demolition	<u>8,187.66</u>
	Total	12,020.89
329 Minnesota St	Property Acquisition	14.73
	Asbestos Testing	625.00
	Abatement	2,810.40
	Tree Removal	1,500.00
	MPJ – Demolition	<u>8,187.67</u>
	Total	13,137.80
1114 Birch Ave	Property Acquisition	14.74

	Asbestos Testing	600.00
	Abatement	3,172.00
	Sheathing for FD Burn	<u>53.96</u>
	Total	3,840.70
310 Park Ave	Property Acquisition	14.74
	Asbestos Testing	575.00
	Abatement	<u>2,727.50</u>
	Total	3,317.24
313 Park Ave	Property Acquisition	14.74
	Asbestos Testing	575.00
	Abatement	7,517.30
	Dumpster	885.49
	MPJ – Demolition	<u>8,187.66</u>
	Total	17,180.19

- The City now officially owns The Rock.
- The City’s intern with the Uof M CURA presented her report on adaptive reuse of historic buildings on February 6th. The EDA was impressed with the intern’s presentation and happy with the attendance.
- An application to Minnesota Housing Partners for Technical Assistance regarding The Rock project was submitted. The goals for assistance include helping the City organize and plan the redevelopment project; identify stakeholders, partners, investors, funding sources, developers; apply for available funding; and mapping out the timeline for the project. The request was approved but the plan/schedule from Minnesota Housing Partners has not arrived yet. Administrator George invited them to the March EDA meeting.
- Federal EDA Grant – Business Park Special Assessments
 - The final request for reimbursement for expenses incurred on the Business Park infrastructure project, along with all of the required close-out reports/documents, has been submitted.
 - This goes hand-in-hand with working on the final figures that are to be specially assessed against the properties in the business park – this work continues, with good progress being made.
- Industrial Park Rail Access Study – Spartz, Kester and George met with Josh Cotter (SEH), Justin Pearson (BNSF) and Karl Schuettler (Northspan) on November 21st. Justin and Karl attended via phone conference. BNSF is still in the process of conducting a “New Business Review” on our plans.

They expect to complete this in January (*haven’t heard anything yet*). Potential/likely development projects that would fit into the City’s Industrial Park were discussed. BNSF has a “Certified Site Program”, similar to Shovel Ready, but rail focused. It could be beneficial for the

City to go through that process and get on their list of Certified Sites. Justin noted that there is a definite need in this area.

- Northern Lights Express (NLX) – The Alliance meetings continue on a monthly basis. Letters have been sent to new legislators bringing them up to speed on the project. Amtrak is very interested in partnering with NLX to provide service. Meetings were held with the Mayor of Duluth and the Duluth Chamber of Commerce President. The Mayor then met with Governor Walz the following day. Meetings are being planned for March 11-13 that include Amtrak Vice President Joe McHugh, Duluth’s Mayor, Superior’s Mayor, various legislators. has taken a break for the past several months, waiting for the November elections. Kester and George attended the meeting earlier today. It was reported at the NLX meeting that the NLX is the only “shovel ready” passenger rail project in America right now. All others are still in the planning process. Governor Walz included funds for the NLX in his proposed budget.
- Opportunity Zones – Proposed guidelines have been released by the US Department of Treasury. The guidelines are geared towards investors. The City’s role in the program is unclear at this point. George attended the ECRDC quarterly meeting and spoke to investment manager and asked him about Opportunity Zones. He responded that his group is staying away from them due to uncertainty regarding federal taxation.
- Ruth Johnson – Gramma J’s has paid off her EDA Loan.
- The following update was provided from Scott Sannes on behalf of Sandstone Development, LLC:

Kathy and Peter,

Thanks for reaching out. I don't have much to publicly report at this time, but it's not due to a lack of progress. There's a lot going on in the background with different consultants working for the owner. My work on concepts is temporarily waiting as the economic analysis moves through the various phases of financial viability and market review. It will take more time before this step is completed. It is typical for this step to seem stagnant, but there are no red flags regarding viability. Don't hesitate to reach out, and I will keep you up to date as progress allows.

Thanks, Scott

- Economic Development Conference – February 7th in Mora – Addressed the workforce shortage and presented information on state-wide programs and local shortage solutions.
- ECRDC Economic Developers Meeting – January 11th – Covered Foreign Trade Zones (Duluth Seaway Port Authority), Women’s Business Alliance, Inventors & Entrepreneur’s Club. There are women in the community that have been thinking about starting a business. George would like to introduce them to the Women’s Business Alliance who have programs specifically for women entrepreneurs.
- Lunch & Learn – Kris offered the conference room at MCCU, so the City invited businesses to bring their lunch on February 21st and view a webinar on e-commerce and marketing. There will be another opportunity on March 21st with the topic: Ask the CPA 2019 - Tax Advice for Small Businesses.
- Kettle River Hospitality, Inc. – EDA Loan has been closed out. It has been over a year since the application was made and there hasn’t been any progress.

- BR&E Visits/Discussion – Some EDA members attended a workshop held by the Initiative Foundation. A questionnaire was introduced meant to help facilitate getting to know the businesses in the community and their needs. The difficulty was that it was very intrusive. George and Spartz have set a goal to visit one business each month. George asked other EDA members to have conversations with local business owners as well, and everyone can report their progress at future meetings.

ADJOURN

Motion Franklin, second Devlin to adjourn at 7:40 p.m. Motion carried 7-0.

Phillip Kester, Chair

Kathy George, Executive Director