

**City of Sandstone**  
**EDA Meeting Minutes**  
**April 24, 2019**

**CALL TO ORDER:** 6:00 p.m.

**ROLL CALL:** Kester, Spartz, Franklin, Devlin, Palmer

Members absent: Anderson, LaBounty

Staff present: Administrator George and Recording Secretary Nelson

Others present: Lorien Mueller, Maria Riewer and Jodi Isaacson from Great Lakes Management

**PLEDGE OF ALLEGIANCE:**

Council, guests and staff recite pledge of allegiance.

**APPROVE AGENDA**

**Motion Palmer, second Spartz to approve the agenda as presented. Motion carried 5-0.**

**APPROVE MINUTES**

**Motion Spartz, second Palmer to approve March 27, 2019 Regular EDA Meeting minutes. Motion carried 5-0.**

**PUBLIC HEARINGS / PRESENTATIONS:**

Lorien Mueller & Maria Riewer – Great Lakes Management

Mueller made the quarterly presentation to the EDA regarding the Wild River properties. 2019 has gone very well so far. The revenue is over budget by \$17,000 due to lower than projected vacancies. The total operating expenses are under budget by \$18,000. The management fee is over budget because it is based on the percentage of effective revenue. The occupancy rate for the Senior building has been at 100% since August of 2018. The average occupancy for the first three months of 2019 for the Townhome building is 97%. Staff continues to build the waiting list for both properties.

Projected capital improvement projects that are outside the operating budget consist of lobby painting, property sign replacement and a playground at the Townhome property. Senior building projects include elevator upgrades and property sign replacement. The management company does not do any of these projects without acquiring three bids, developing a project proposal and coming to the EDA with the information.

The current Management Agreement is coming up for renewal in June. Great Lakes Management is proposing an increase to the fixed management fee, from \$1,026 per month to \$1,355 per month. The management fee is comprised of a fixed fee and an incentive fee, which is 1.5% of the gross revenue. Mueller stated that this is the first increase of fees in at least a decade. The proposed increase represents a 32% increase in the monthly management fee, which is shared 50/50 by each building. Mueller discussed what the fees cover (Human Resources, Accounting, Reporting, etc.) and the fact that the management company tries to have their fees at 4% of gross revenue. With the projected 2019 budget and the current fee structure, the fees will be about 3.39% of revenue. EDA Members discussed that although there hasn't been an increase for quite some time, 32% is quite a hike in one year. The question was raised as to why Great Lakes Management would wait ten years to raise the fees and then raise them so much at one time. Mueller stated that there have been times in the past when the properties were not cash flowing; therefore, Great Lakes Management did not feel that it would be appropriate to propose an increase. With the proposed increase, the total management fee would be \$26,000 in 2019 for both buildings. EDA Members discussed the good work Great Lakes Management does and what increase in fees they are comfortable with. The consensus was that the 32% increase would work if it can be spread out over three years.

**Motion Devlin, second Spartz to approve the proposed capital projects at the Townhomes and Senior Building after receiving acceptable bids that fall within the budgeted amounts. Motion carried 4-1 with Franklin opposed, stating concerns with the playground at the Townhomes not being open to the general public.**

**NEW BUSINESS:**

Northern Bedrock Historic Preservation Corps

Jill Baum, Executive Director of the Northern Bedrock Historic Preservation Corps out of Duluth, MN came to Sandstone on April 16<sup>th</sup> with some of her staff members to tour The Rock. Northern Bedrock is a non-profit agency with the goal of engaging the next generation in the preservation trades by partnering with skilled trades professionals doing historic preservation work.

Baum and her agency are willing to partner with the City on some clean-up efforts. They would focus primarily on the auditorium and key entranceways to clear debris, salvage materials and clean. A typical project of this type would cost \$10,000. Baum is asking the City to contribute \$5,000 towards their efforts and to provide someplace to camp for their workers, showers for the workers, a dumpster and some supplies. They would be working in the building for seven days. Administrator George talked to Minnesota Housing Partnership regarding the Technical Assistance program and found that this cost would go toward the City's match. EDA Members asked about liability for the safety of the workers, the City does have insurance coverage. The EDA has a fund balance of \$112,135.77 for The Rock Redevelopment.

**Motion Devlin, second Palmer to accept Northern Bedrock Historic Preservation Corps' offer to bring in a crew to start cleaning up the interior of The Rock, with the EDA contributing \$5,000 towards the cost and also providing camping, showers, a dumpster, and some supplies. Motion carried 5-0.**

Wild River Senior Apartments

Steve Michel, the commercial broker who is marketing the Wild River Townhomes for the EDA, has prepared a proposal for marketing the Senior Apartments as well. As mentioned at the March EDA meeting, buyers in the multi-family housing market are looking for opportunities to benefit from economy of scale – more units mean administrative expenses can be spread out, which makes the properties more profitable. Michel has received feedback from investors who are only interested if they can also purchase the Senior Building as well. Michel places a potential sales price on the Senior Apartments of \$2,630,000. Administrator George suggested meeting with the residents of the Senior Building to discuss plans and hear their concerns. After brokerage fees, the EDA could clear over a million dollars and lower the levy for taxpayers. The EDA agreed to have a special meeting over at the Senior Apartment Building on Wednesday, May 1<sup>st</sup>, at 6:00 p.m.

**Motion Franklin, second Spartz to approve the Brokerage Agreement from Steve Michel for the Senior Apartment Building. Motion passed 4-1 with Devlin opposed.**

**CONTINUING BUSINESS:**

Mobile Food Units

The EDA continued to review a DRAFT ordinance regulating Mobile Food Units and Food Carts. There has been discussion about whether or not the ordinance should address private property or just City-owned property (parks and right-of-way). Consensus of the EDA is that right-of-way and parks are the main concern. The ordinance will not affect private property. The ordinance will be revised and presented to the City Council for approval.

Business Park – Shovel Ready Application

The City has been working for over 2 years to obtain “shovel ready” status for the Business Park. During the process, staff learned that an ALTA survey is needed in order to be certified “shovel ready”. The ALTA survey was

completed for \$7,500. The recent snag in the process is that a Phase 1 Environmental study is required. The EDA had submitted the Phase 1 from the initial development of the Business Park; however, that report only included the property where the hospital is now located. The EDA will need to have a Phase 1 conducted on all of the parcels in the Business Park. If the Phase 1 study reveals that a Phase 2 Environmental study is needed (which likely could happen because of the leaking underground storage tanks that were discovered), then the Phase 2 study would be needed in order to move forward with the Shovel Ready application.

Two quotes were received for the Phase 1, with the low quote being \$1,960 for the northern 8 parcels or \$2,000 if the southern 5 parcels are added. However, if a Phase 2 is required, there could be another \$8,000 cost. The shelf life on these environmental studies is typically 5 years. If a developer is interested in purchasing property, their financing entity will likely require them to do their own studies as well. In the end, a lot of money could be spent by the EDA that doesn't really help to sell a lot. Administrator George spoke with Kylene Jordan, Regional Business Development Manager with DEED. Jordan stated that other communities have also experienced these hurdles; however, they proceed with the process in order to better market their industrial parks. Jordan stated that even though developers will likely need their own studies, they feel more comfortable proceeding knowing that the EDA has also conducted studies. Jordan said that when DEED is contacted by a potential developer, they look to the shovel ready sites and see if there is a match. They then put the developer in touch with the appropriate contact person. Jordan covers the Twin Cities area. She stated that Brad Brzezinski, out of Duluth, would cover Sandstone. George will invite Brzezinski to an EDA meeting and will also offer him a tour of the park.

**Motion Franklin, second Devlin to move forward with the Phase 1 Environmental Study for the Business Park at a cost of \$2,000. Motion passed 5-0.**

#### Various Updates

The following updates were provided:

- EDA Business Breakfast – RESCHEDULED to April 25<sup>th</sup> from 7:00 – 9:00 a.m. Lori Loew will cater the event, which will be held at Pam Lewis' new real estate office on Main Street.
- Federal EDA Grant – Business Park Special Assessments
  - The Federal EDA Grant has been closed out and the final disbursement has been received, which includes an additional amount of \$83,116 that was submitted as contingency expenses.
  - 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.
- Opportunity Zones – Pine Technical & Community College in Pine City is hosting “An Introduction to Opportunity Zones” on Monday, April 29<sup>th</sup>, at 6:30 p.m. Administrator George plans to attend; EDA Members are welcome to attend as well.
- Lunch & Learn – The third opportunity was provided on April 18<sup>th</sup> with the topic: Savvy Branding Strategies to Build Your Customer Base. Kris LaBounty, Val Palmer and Administrator George attended, along with Mary Thorvig and Matt & Jennifer Anderson. The attendees indicated that it was an interesting meeting.
- Northspan Group Proposal – The Proposal was modified based on the discussion at last month's EDA meeting. Analysis of Targets for Potential Development of a Rail Spur has a budget not to exceed \$5,200. Business Retention and Expansion Outreach has a budget not to exceed \$7,500. Ongoing Support has a budget not to exceed \$2,300.
- Habitat for Humanity - Wayne Eller has been informed that the EDA approved offering two lots to Habitat. He

was very pleased. Habitat is interested in 605 Park and 313 Park.

- Minnesota Housing Partnership Technical Assistance – The next step in this process is to consider the pros and cons of working with a developer or with a consultant to redevelop The Rock. There is an investor who is interested.
- Department of Agriculture’s contractor Terracon will start Thursday on their 2019 Spring sampling activities with ambient air sampling along Skunk Creek and collecting potable well samples. The following week, they will monitor well and surface water sampling activities throughout the City.

**ADJOURN**

**Motion Franklin, second Devlin to adjourn at 7:18 p.m. Motion passed 5-0.**

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Phillip Kester, Chair

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Kathy George, Executive Director