

City of Sandstone
EDA Special Meeting Minutes
June 5, 2019

CALL TO ORDER: 6:00 p.m.

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

Members absent: LaBounty

Staff present: Administrator George

Others present: Betty Oredson, Jacob Stewart, Bev Colby, Karyn Nathan, Joyce Carlson, Julie Vettesa, Steve Palmer, Vivian Swanson, Darlene Merimonti, Susan Wright, Rose-Marie Westmoreland, Jodi & Jason Isaacson, Virginia Henkel, Steve Michel, Stan Gustafson, Tom Opatz

PUBLIC HEARING: Consider Offer for the Purchase of the Wild River Senior Apartment Building and Wild River Townhomes

City Administrator George explained that the EDA enlisted the services of Steve Michel, Michel Commercial Real Estate International, Inc., to market the Wild River Senior Apartment Building and Wild River Townhomes. Michel solicited offers from over 50 potential buyers.

At the May 15th Special EDA Meeting, the EDA reviewed offers that have been received, and decided to move forward with the offer from Tom Opatz, Premier Healthcare Management Services of Sandstone. Opatz is offering the EDA full-price for the properties:

\$2,630,000 for the Senior Apartment Building

\$2,043,000 for the Townhomes

\$4,673,000 Total

The EDA must hold a hearing on the sale. Notice of the hearing was published in the 5/23 and 5/30 editions of the Pine County Courier.

The EDA must make its findings and decision on whether the sale is advisable and enter its decision on its records within 30 days of the hearing. A taxpayer may appeal the decision by filing a notice of appeal with the district court and serving notice on the EDA within 20 days after the decision is entered. The only ground for appeal is that the action of the EDA was arbitrary, capricious, or contrary to law.

MN Statutes 462.356 states that if the City has adopted a Comprehensive Plan, then no publicly owned interest in real property within the City can be acquired or disposed of until after the Planning Commission has reviewed the proposed acquisition or disposal and reported its findings to the City Council as to compliance with the Comp Plan.

At the May 8th Planning Commission meeting, Commissioners reviewed the current zoning of the Townhomes (High Density Residential), the proposed zoning under the updated Zoning Ordinance (Traditional Residential), and the zoning on the Future Land Use Map that was established in the Comp Plan (Traditional Residential). Three and four-family dwellings and planned unit developments would be allowed as a Conditional Use in the new Traditional Residential District.

Commissioners also reviewed the current zoning of the Senior Apartments (High Density Residential), the proposed zoning under the updated Zoning Ordinance (Historic Downtown District), and the zoning on the Future Land Use Map (Historic Downtown District). In the proposed Historic Downtown District, apartments are allowed as long as they are located above the first floor, behind the storefront, or in the basement. The current use would be deemed a lawful non-conforming use.

Commissioners reviewed the Housing Goals that were noted in the Comp Plan:

- Eliminate substandard housing.
- Assure that residents have access to safe and affordable housing in good neighborhoods that meet the needs of all community members.
- Make sure there is housing for current and future needs.

The Planning Commission found that the City's disposal of the Wild River Properties is in compliance with the City's Comprehensive Plan.

Motion by Franklin, second by Devlin to open the Public Hearing at 6:05 p.m. Motion passed 6-0.

Opatz explained that when he heard that the City was selling the Wild River properties, he was immediately interested because he is currently in the process of building a new 3-story senior assisted living complex and he was concerned that someone else would purchase the Wild River Senior Apartment building and convert it to assisted living, thereby saturating the market.

Opatz stated that he acquired the Sandstone Health Care Center in 2017 from Essentia when the new hospital was built. He has invested in new roofing, heating and cooling systems. He has also recently demolished the former hospital portion of the building to make way for his new project. Six years ago, Opatz purchased the nursing home in Watkins, MN, which is a 50-bed facility, and he added a 50-unit housing development. He owns a senior building in St. Joseph, MN. Three years ago, he purchased a senior building in Shell Lake, WI. In 2001, Opatz received certification in Nursing Home Administration. He likes to work in small towns and realizes how important reputation is in a small town. He said that he says what he will do, and then he does it. Opatz has one partner and their business is organized as an S-Corporation. The operation inside the buildings is designed as a Limited Liability Corporation.

President Kester asked for comments from the audience. The following is a summary of the comments received:

- Will the rents be raised – *Opatz explained that property taxes would increase with the properties being owned by a private party; therefore, there will likely have to be some adjustment to rents. There could be a greater increase for new tenants, rather than for existing tenants, but the details are still being worked out. He further stated that current rent fees are reflective of the demographics of the community.*
- There was some discussion about past practice where long-standing residents, who receive annual rent increases, ended up paying more for the same type of apartment than a new resident – *It was noted that efforts have been made over the years to bring the base rent up to be in line with past increases.*
- Opatz plans to add services to the residents; such as, medication setups, meals, bathing assistance – if residents want them. Residents can also get these services from another provider. There would be an extra fee attached to these additional services.

- Will the Townhome property remain multifamily – *Opatz stated that the Townhomes are not conducive to senior housing; therefore, yes, they would remain multifamily. He further stated that the Senior Apartments would remain as Senior Apartments.*
- Many positive comments were made regarding Jodi & Jason Isaacson, the manager and caretaker of the properties.
- Opatz explained that he would look into having the properties designated as Group Residential Housing. With GRH status, residents could get assistance with their rent based on their income. He further noted there is elderly waiver assistance for the added services, if residents require that assistance.
- Will the rules change – *Opatz stated that he doesn't anticipate much change. He pointed to pets, as an example, needing shots, limits on number of pets, limits on size of pets. Regarding the deck, he noted concerns with safety and liability, but stated that he is always open to discussion. He will meet with everyone and provide a new handbook once he takes ownership.*
- Please include Townhome residents in any meetings / meeting notices.
- Will meals be made on site at the Senior building – *Opatz stated that he has an architect looking at the current kitchen to determine what upgrades would be needed. Meals may not happen right away, it depends on the demand.*
- Positive comments were received regarding Opatz' operation of the Sandstone Health Care Center.
- Would Opatz be interested in other projects in town, such as The Rock – *Opatz is open to learning about the needs in the community and considering projects that fit with his goals.*
- What will happen to security deposits – *they will transfer to the new owner at closing.*
- How will rent be collected – *residents can set up auto pay (which has a 3% fee), or pay directly to the new company. For bill pay, residents will have to update the payee name and address, but everyone will be informed once the change in ownership takes place.*
- Will current leases be honored – *Yes, and as they expire new leases will be renewed on a month to month basis.*

One attendee urged the EDA to take the Senior Apartment building off the market. She noted that uncertainty regarding rents is not good for seniors, it is too stressful. She sees no need for the EDA to sell the property and stated that the ends do not justify the means. She further noted that competition is good. She referred to a project in Hinckley that the City sold and rents went up \$100/month. Another project was sold in Rosemount and rents went up \$300.

EDA members appreciated the comments and noted that competition is good to a point; however, it can become unhealthy for a business at some point when the market is saturated. Further, there are three other senior facilities in town and two other multifamily facilities.

EDA members further noted that Opatz came to town from elsewhere, bought the old hospital/nursing home facility, and made positive changes to turn things around. He has increased the census and residents and staff are happy. Now he is planning a new development. Additionally, he is bringing the possibility of providing services to the Wild River properties which will allow residents to stay in place longer if they desire to.

EDA Member Devlin noted that he has a close, personal relationship with Jodi & Jason Isaacson, the manager and caretaker of the properties. He doesn't want to see them lose their jobs, but he realizes that this transaction, the sale of these properties to Opatz, is the best decision for the City.

Opatz answered additional questions about the new project he is working on at the Sandstone Health Care Center. It is a 44-unit 3-story building. Rents will be higher than they are at the Wild River properties

because there will be 24-hour nursing and staff available. If he is able to start construction this fall, he anticipates it will be a year before the project is finished. Residents can be completely independent, or they may need a variety of services. There will be indoor parking attached to the building at ground level. Opatz stated that he has no hidden agenda and that people can call him anytime with questions.

Motion by Devlin, second by Franklin to close the Public Hearing at 6:55 p.m. Motion passed 6-0.

Administrator George explained that the only change to the Purchase Agreements that were included in the EDA Agenda packet is changing Quit Claim Deed to Limited Warranty Deed. She further stated that one of the parcels at the Townhomes (the parking lot) is in the City's name. At the June 19th Council Meeting, she stated, the City will be asked to deed the parcel over to the EDA so that all of the documents regarding the sale will be between the EDA and the buyer.

Motion by Spartz, second by Franklin determining that the sale of the Wild River properties to Premier Healthcare Management Services of Sandstone is advisable and adopting Resolution No. 20190605-01 Approving the Purchase Agreements. Motion passed 6-0. A taxpayer may appeal the decision by filing a notice of appeal with the district court and serving notice on the EDA within 20 days after the decision.

GO HOUSING AND DEVELOPMENT REVENUE REFUNDING BONDS (WILD RIVER APARTMENTS PROJECT), SERIES 2012B

Administrator George explained that as the EDA considers the sale of the Wild River properties, they will need to address the outstanding bond. The EDA can pre-pay the bonds any time after February 1, 2019. Currently, the principal amount due is \$2,765,000. Interest will accrue until it is paid off. If the closing occurs on July 19th, the interest due will be \$42,192.50. There could also be a paying agent fee (around \$250) due.

George is working with the City Attorney (Kennedy & Graven) and also financial advisors (David Drown Associates) on the details for calling the bonds and arranging for paying them off after the closing.

The City Attorney has prepared two resolutions for EDA consideration. If approved by the EDA, and once the closing date is known, these documents will then be ready and proper steps can be taken to start the process of calling the bonds and arranging for paying them off. The redemption is being made conditional on actually closing on the sale. By approving the resolutions now, we will be able to keep the process moving along.

Resolution 20190605-02 Approving a Certificate Regarding Remedial Action and Actions to be Taken Thereunder and Authorizing the Execution of Certificate Regarding Remedial Action – The City Attorney provided an explanation regarding this resolution noting that the sale of the Wild River properties to the buyer as proposed will satisfy the private loan financing test of the Internal Revenue Code. In order for the interest on the bonds to be tax exempt, the EDA needs to take this action. The actual Certificate of Remedial Action will be signed at closing.

Resolution 20190605-03 Providing for the Prepayment and Redemption of the EDA's Outstanding General Obligation Housing and Development Revenue Refunding Bonds (Wild River Apartments Project), Series 2012B – This action is necessary because the bonds will be paid off after the closing on the sale takes place. The redemption is conditional – so, if the sale doesn't go through for some reason, the bonds will not be redeemed.

Motion by Devlin, second by Franklin, adopting Resolution 20190605-02 approving a Certificate Regarding Remedial Action and Resolution 20190605-03 providing for the Prepayment and Redemption of the outstanding General Obligation Housing and Development Revenue Refunding Bonds, series 2012B. Motion passed 6-0.

ADJOURN

Motion by Franklin, second by Devlin to adjourn. Time 7:15 p.m.

Phillip Kester, Chair

Kathy George, Executive Director