

City of Sandstone
EDA Meeting Minutes
July 24, 2019

CALL TO ORDER: 6:00 p.m.

ROLL CALL: Kester, Spartz, Franklin, Devlin, Anderson, LaBounty
Members absent: Palmer
Staff present: Executive Director George and Recording Secretary Nelson
Others present: Mary Thorvig

PLEDGE OF ALLEGIANCE:

Council, guests and staff recite pledge of allegiance.

APPROVE AGENDA

Motion Franklin, second Devlin to approve the agenda, moving Mary Thorvig ahead of the closed meeting. Motion carried 6-0.

APPROVE MINUTES

Motion Spartz, second Franklin to approve the June 26, 2019 Regular EDA Meeting minutes. Motion carried 6-0.

PUBLIC HEARING: None

NEW BUSINESS:

Discuss Property Sales and Purchases

In accordance with Minnesota Statutes 13D.05, subdivision 3(c), the meeting will be closed to consider offers for the purchase or sale of real property.

Motion Franklin, second Spartz to close the meeting at 6:18 p.m. Motion carried 6-0.

Sliver portion of parcel 30.0527.000

Recently, Fred Olander stopped by City Hall to see if the City is interested in acquiring the sliver portion of Parcel 30.0527.000 that is located on the east side of I-35, and is adjacent to 3 parcels in the Business Park (45.5658.000, 45.5657.000, and 45.5664.00). 30.0527.000 is a 92-acre parcel, with the bulk of the land being on the west side of I-35. The sliver parcel is about 2,600 linear feet, about 2.1 acres. This parcel is owned by Thomas & Penelope Selting. Mr. Olander stated that he was asked by them to look into the possibilities.

80' strip next to The Rock 45.5444.000

The EDA has been working towards the redevelopment of The Rock (old high school building located at 501 Court Ave N). A portion of the building, the elementary school addition which is on the Court Ave side of the property, is located on adjacent parcel 45.5444.000, which is owned by Manoucher Rostamkhani. In speaking with the Minnesota Housing Partnership Technical Assistance team, it was determined that the EDA should acquire this parcel before proceeding with a Request for Proposals for a developer to work with the team towards submitting a "super RFP" to Minnesota Housing Finance Agency next June.

329 Minnesota Street

The City acquired 329 Minnesota Street last year along with 4 other tax forfeited properties. Since that time, the City conducted asbestos testing and abatement, followed by demolition of all structures on the site. The City also removed several trees that were a concern to the neighboring property.

To date, expenses incurred on this parcel include the following:

Property Acquisition	14.73
Asbestos Testing	625.00
Abatement	2,810.40
Tree Removal	1,500.00
<u>MPJ – Demolition</u>	<u>8,187.67</u>
TOTAL	\$13,137.80

The City offered the parcel for sale via sealed bids. The notice was placed in the 7/4, 7/11 and 7/18 editions of the *Pine County Courier* and the 7/13 edition of the *Evergreen*. One bid was received.

EDA owned parcels 45.0101.014, 45.0101.013, 45.0039.001, 45.0040.000, 45.5638.000, 45.5639.000; City owned parcel 45.0039.000

The EDA owns several parcels that were acquired when the City thought that the hospital was going to locate on property north of the former Gateway Clinic property. One parcel in this area is owned by the City (not the EDA). The EDA/City acquired the parcels in 2009 except the two by the Golf Course, which were acquired in 2007.

The City Council was considering a water loop project that would traverse through some of these parcels and create a second water connection to the new hospital / business park. The City thought perhaps there would be additional development in this area once water (and possibly sewer) were extended. However, recently the City Council decided on an alternate route to loop water service to the hospital / business park via Airport Road. Therefore, there is no longer a plan to bring water (or sewer) by these parcels.

Motion Franklin, second Devlin to reopen the meeting. Motion carried 6-0.

Community Economic Development Loan Application – Mary Thorvig

Mary Thorvig is working on an application for a loan from the Community Economic Development Loan program. The application is for improvements to the Arco Station – Car Wash and related areas. Normally, the application would go through the Loan Application Committee but due to time constraints, Thorvig was invited to give present her request at the meeting.

Thorvig explained that the car wash was not operable; however, the building was deemed safe. She found a person sells car washing equipment who also helps with renovations. Thorvig is salvaging everything she can and buying new what is necessary. She estimates the total cost of the project to be \$40,000 and is asking the EDA for a loan of \$34,600. There are many who ask her about the possibility of opening the car wash. Executive Director George reviewed the guidelines for a CED loan. Prime interest rate at this time is 5.25%. In the past, the EDA has awarded these with a mortgage, a loan agreement, a promissory note and a guarantee agreement. EDA members asked questions regarding the county taxes and the ownership status of the property.

Motion Franklin, second Anderson to approve the Community Economic Development Loan for Mary Thorvig in the amount of \$34,600 and further set the interest rate a 5.25%. Motion carried 6-0.

CONTINUING BUSINESS:

Sale of Wild River Properties

Closing on the Wild River Townhomes and Wild River Senior Apartment building took place on Friday, July 19th. The City agreed to have \$5,000 held in escrow to address over-spraying that occurred at the Senior building when maintenance staff used a dye chemical on the woodchips around the building. The buyer will hire someone to take care of the matter and will provide receipts. The EDA will receive any leftover funds. If the amount is greater than \$5,000, the EDA will contribute the balance of the amount owed. The buyer has been asked to provide quotes/estimates before approval.

After all closing costs, the \$5,000 escrow amount, the bond payoff of \$2,695,580.80, and the broker fee, the City received a check in the total amount of \$1,743,199.34. There is still some final accounting transactions to make with Great Lakes Management. There are also positive fund balances in the Wild River Repair & Replacement Fund of \$183,508 and the Wild River Reserve Fund of \$250,032.

George reported that the bond will not actually be paid off until August 23rd. Notice is required to the bond holders since the EDA is paying them off early. By paying early, the EDA saved \$400,878.54 in interest. Finance Officer Newey also worked with the insurance company to get a refund of \$19,630 for the unused portion of the policy.

Sandstone Development, LLC – Request for Extension

The due diligence period on the two Purchase Agreements executed by Sandstone Development, LLC expires on July 26th. The City had previously provided a 30-day extension which was allowed in the Purchase Agreements, followed by a 60-day extension and additional earnest money, followed by a 1-year extension and additional earnest money. At the last extension request, a year ago, the EDA was told that the developer is looking for a Spring, 2019 ground breaking. The Developer is now asking for a 6-month extension to January 27, 2020. The Developer is also proposing an additional \$1,250 in earnest money on each parcel.

The original Purchase Agreements were signed on December 27, 2017. The current earnest money amount, according to the Second Amendment to the Purchase Agreements, is \$4,500 per lot; total of \$9,000. The EDA discussed the request at the June 26th EDA meeting and directed staff to make a counter offer to increase the earnest money to \$5,000 per lot (bringing the escrow amount to \$19,000 total) and to inform the developer that the EDA plans to market the lots.

The developer has made a counter offer: Sandstone Development, LLC is proposing that it pay an additional \$2,500 in non-refundable earnest money now for each lot and then an additional non-refundable payment of \$2,500 in January for each lot, with additional language giving Buyer the sole option for an additional 6-month extension. There is no mention about the EDA's ability to market the properties, which is currently prohibited by paragraph 21, Exclusivity, in the Purchase Agreements.

Motion Devlin, second Anderson to deny the counter offer. Motion failed 1-5.

Motion Spartz, second Devlin to deny the counter offer, give them 90 days to pay the second half of the escrow, remove the extra language regarding the extension of the due diligence period and allow the EDA to market the lots; and further, requiring the developer to provide proof that all escrow payments have been made. Motion carried 5-1 with Devlin dissenting.

Lundorff Drive Project Wrap-up

Staff has been working on wrapping up several matters regarding the Lundorff Drive project; such as:

- Project expenses

- Grant funds
- Interfund loans
- Purchase/Sale prices
- Special Assessments

This item was discussed at the June 26th EDA meeting. Since that time, George has been following up on several items and recently met with President Kester who suggested a work session be scheduled to dig into all of this information. The EDA agreed to schedule a work session for Wednesday, August 7 at 6:00 p.m.

Various Updates

The following updates were provided:

- Business Retention & Expansion Visits – The EDA has enlisted the services of The Northspan Group to conduct BR&E visits with select business owners. The following businesses have been selected to participate:

Sandstone 61 Motel	Arlen Krantz Ford
Lampert Lumber	Franklin’s Ben Franklin
Anderson Recycling	Midwest Country Music Theater
Mike Johnson Construction/MPJ Rental	Ace Hardware
Mike Maitrejean – Minnesota T’s	Quality Home & Sports
Sandstone Health Care Center	Arrowhead Transit
Amy’s Restaurant	Transmissions Plus
Browns Beans & Greens	
- Update from The Northspan Group: Schuettler has been collecting data on businesses and industries with NAICS codes that commonly use rail in Pine County to weed out unlikely prospects. He has calculated location quotients for major industries in Pine County to determine industries in which the area has a competitive edge. He has expanded his analysis to include Carlton County. He has started drafting a survey of identified businesses to determine their interest in a rail spur.
- Shovel Ready Status of the Business Park: Staff is still working with DEED on the details. The latest questions concern natural gas. DEED’s questions (below) have been forwarded to Minnesota Energy Resources for responses.
 - Natural gas: It says “10,000 cfh is available at the town border station and is extendable to the business park”, It will be hard for people unfamiliar with the area to understand. The first questions are:
 - 1) How far away is the station?
 - 2) Does this mean that current capacity is zero?
 - 3) How long would it take to get this capacity in the park?
- GPS Familiarization Tour (FAM Tour) – Every year, GPS organizes an event with realtors and site selectors. This year, a reception is planned for Thursday, July 25th, in Duluth. George plans to attend and represent Sandstone.
- Brad Brzezinski, DEED’s Northeast Business Development Representative, was unable to attend the July EDA meeting. Hopefully, he will be here for the August 21st meeting.

ADJOURN

Motion Franklin, second Devlin to adjourn at 8:55 p.m. Motion carried 6-0.

Phillip Kester, Chair

Kathy George, Executive Director