

**Sandstone EDA Meeting Minutes  
August 28, 2019**

**CALL TO ORDER:** 6:06 p.m.

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

Members absent: None

Staff present: Executive Director George, Recording Secretary Nelson

Others present: Bradley Brzezinski

**PLEDGE OF ALLEGIANCE:**

Council, guests and staff recite pledge of allegiance.

**APPROVE AGENDA**

**Motion Palmer, second Devlin to approve the agenda as presented. Motion carried 7-0.**

**APPROVE MINUTES**

**Motion Devlin, second LaBounty to approve the minutes of the July 24, 2019 Regular EDA Meeting and the August 7, 2019 Special EDA Meeting. Motion carried 7-0.**

**PUBLIC HEARINGS / PRESENTATIONS:**

Bradley Brzezinski, Northeast Business Development Representative, MN Department of Employment and Economic Development (DEED)

Brzezinski was invited to the EDA meeting to talk about what kinds of companies are looking for homes and what types of things are they looking for. DEED operates through the business development programs to assist communities to grow companies. DEED interacts with businesses directly with loans and cash rebate incentives based on investments and job creation. Community development financing is available to assist with infrastructure and redevelopment dollars and contamination programs.

Projects come through the DEED office, county EDA, site selectors, locally and through the companies themselves. Brzezinski talked about DEED's interactions with site selectors. There is a marketing partnership which is a consortium of communities, EDAs, utilities, engineering firms that get together and reach out to site selectors. They meet three or four times a year and the next meeting will be toward December. Representatives also attend trade events.

Executive Director George shared the business park brochure. The nearness of the rail and the possibility of putting a spur into the industrial park was discussed. The EDA is working with the Northspan Group to conduct Business Retention & Expansion interviews and also to determine viable rail users in the region. The shovel ready application has been complete and the EDA is waiting for a site visit from DEED to complete the process. DEED is tasked with growing community prosperity, increasing investment in Minnesota communities and creating jobs. The main variables are investment and jobs – that is what drives how much DEED can potentially utilize a program.

There are new initiatives that are being launched in Minnesota – a workforce pilot project is going on involving investments in automation. Once that is over, it will be evaluated.

The EDA discussed the businesses in Sandstone, when they started and how they are doing. The Legacy Grant application for Robinson Park was discussed and well as the redevelopment of The Rock. The business breakfast program was discussed and Brzezinski was invited to be the speaker at next year's event.

## **NEW BUSINESS:**

**Motion Devlin, second Franklin to close the meeting at 6:55 p.m. in accordance with Minnesota Statutes 13D.05, Subdivision 3(c) to discuss possible purchasing of parcels 30.0527.000 and 45.5444.000. Motion carried 7-0.**

### **Parcels to be discussed**

#### 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. Olander has a 99-year lease on the sliver parcel. At the July EDA meeting, the EDA authorized the Executive Director to make an offer. That offer was rejected and Olander made a counter-offer. The EDA reviewed the counter-offer and authorized the Executive Director to respond.

#### 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 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.

Staff had a conversation with Mr. Rostamkhani regarding a reasonable purchase price. At the July EDA meeting, the EDA authorized the Executive Director to make an offer. That offer was rejected and Rostamkhani made a counter offer. EDA Member Franklin spoke with Rostamkhani and he is willing to meet somewhere near the cities to discuss the sale. The EDA authorized Franklin and the Executive Director to continue negotiations with Rostamkhani.

**Motion Devlin, second Spartz to reopen the meeting at 7:47 p.m. Motion carried 7-0.**

## **CONTINUING BUSINESS:**

### Lundorff Drive Project Wrap-up

The EDA held a special meeting on August 7 to conduct a work session on many items related to the Lundorff Drive project:

Transfers between funds – From 2014 through 2019, project expenses were incorrectly coded to other funds; and other expenses were incorrectly coded into the project fund. These details were reviewed at the August 7th meeting and the EDA recommended that the City Council approve the related fund transfers. That recommendation was brought to the August 21st Council meeting and was approved.

MCCU and Sandstone Development LLC purchase agreements. Upon a review of the purchase price paid by the different developers – North Pine Area Hospital District, Essentia Health Sandstone/Clinic, Golden Horizons Assisted Living, Members Co-Op Credit Union, and the pending purchase agreements with Sandstone Development, LLC, it was found that there were discrepancies regarding the purchase price and special

assessments. After reviewing the details carefully at the August 7th meeting, consensus of the EDA was that the MCCU and Sandstone Development deals should be the same as NPAHD and Golden Horizons (\$31,363 per acre with no additional assessments, except for the gas assessment).

**Motion Devlin, second Spartz to set the purchase price for MCCU and Sandstone Development at \$31,363 per acre with no additional assessments except for gas. Motion carried 6-0, with LaBounty abstaining due to a conflict of interest, she is employed by MCCU.**

Essentia/Clinic purchase agreement - Consensus of the EDA was that the purchase price for the clinic property should also be the same as the others, \$31,363 per acre. Essentia paid \$7,650 in cash; therefore, their assessment would be \$32,808.27.

**Motion Devlin, second Franklin to set the purchase price for the clinic property at \$31,363 per acre. Motion carried 7-0.**

NPAHD Assessment - The EDA agreed that the City should move forward with certifying the NPAHD assessment of \$709,971.18.

Purchase price for business park lots going forward - The EDA discussed what the purchase price for the business park lots should be going forward, and whether the \$31,363/acre figure is meant to be applied to “buildable acres” or if it is to be applied to the total acreage of each parcel.

George talked with John Owen at the Federal EDA office on August 15<sup>th</sup>. He informed her that the per acre price can be applied only to buildable acres, as long as there is justification. With regard to the per acre price, Owen stated that the price has to be “fair market value”. He said that the EDA can determine what that is, as long there is justification (i.e., comparable sales in the area; he doesn’t think the EDA needs to spend the money on another appraisal). Owen also stated that leasing the lots is acceptable; again, be mindful of “fair market value”. He stated that the goal is to get the properties developed. The Federal EDA file is closed, so the City should just be able to justify “fair market value” in case there is ever a question. George has reached out to a commercial appraiser, asking for help in determining “fair market value” without doing a full appraisal.

Interfund Transfers - The EDA talked about the interfund transfers that were made in 2014 and 2015 to get the project started:

General Fund (101)	\$345,000
Storm Sewer Fund (603)	\$100,000
Capital Improvement Fund (401)	<u>\$ 80,000</u>
TOTAL	\$525,000

These transfers were booked as “budget amendments” with no mention of paying them back.

**Motion Franklin, second Devlin to pay back funds to the General Fund (101), Storm Sewer Fund (603) and Capital Improvement Fund (401) from the proceeds of the Wild River property sales. Motion carried 7-0.**

Current Fund 421 balance/deficit - The EDA discussed the current Fund 421 balance/deficit of (\$840,651.83). Options were (a) to issue bonds to wipe out the deficit (and maybe include the above interfund transfers), using the expected special assessment payments to make the bond payments or (b) use proceeds from the Wild River property sales to wipe out the deficit.

Mike Bubany, David Drown Associates, prepared preliminary cash flow reports for two scenarios: borrowing for the deficit of \$840,651.83, or borrowing for the deficit plus the interfund transfers \$1,365,651.83. Bubany pointed out that if the special assessments are paid off early, we would lose out on the interest on the assessment; therefore, the EDA would have incurred interest obligation with the bond but not have the interest coming in from the developer. The bonds could not be paid off early (without a penalty) until 2/1/2028.

Using just the expected special assessments of the NPAHD and Essentia/Clinic, and a 15-year pay back, cash would be needed to supplement the deal: \$96,862 to come up with \$840,651.83 to wipe out Fund 421's deficit; or \$621,863 to come up with \$1,365,651.83 (Fund 421 deficit and interfund transfers).

**Motion Franklin, second Devlin to use the proceeds from the sale of the Wild River properties to eliminate the deficit of \$840,651.83 in Fund 421. Motion carried 7-0.**

Vork Property Purchase - The EDA discussed the money EDA Fund 228 owes the Community Economic Development Loan Fund 226 for the purchase of the Vork property in the amount of \$168,839.00.

**Motion Spartz, second by LaBounty to use the proceeds from the sale of the Wild River properties to repay the \$168,839.00 loan borrowed from the Community Economic Development Loan Fund (226). Motion carried 7-0.**

#### 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 *done*

Lampert Lumber *done*

Anderson Recycling *done*

Mike Johnson Construction/MPJ Rental

Mike Maitrejean – Minnesota T's

Sandstone Health Care Center *done*

Amy's Restaurant

Browns Beans & Greens – *planned for Sept 9<sup>th</sup>*

Arlen Krantz Ford *done*

Franklin's Ben Franklin *done*

Midwest Country Music Theater - *declined*

Ace Hardware – *planned for Sept 9<sup>th</sup>*

Quality Home & Sports – *planned for Sept 9<sup>th</sup>*

Arrowhead Transit

Transmissions Plus

Hardwater Sports

- Update from The Northspan Group: 73 businesses in and around Sandstone (Pine City to Barnum, and a little west) have been identified as plausible rail users. A basic survey was sent out to all of them.
- Shovel Ready Status of the Business Park: DEED stated that they have everything they need from us for the Shovel Ready application. Next, they will plan a site visit, which they are coordinating with 3 other sites that are almost ready for site visits. They anticipate the visits will take place in September.
- GPS Familiarization Tour (FAM Tour) – Every year, GPS organizes an event with realtors and site selectors. This year, a reception took place on Thursday, July 25th, in Duluth. George attended and was able to meet individually with 2 site selectors who were impressed and admitted that they hadn't thought about venturing south from Duluth. She plans to keep in touch with these site selectors, especially after determining what the per acre price for lots in the business park will be.

- NLX - Preparations are underway for making a presentation to the House Bonding Committee on September 4th. The goal is to be included in the 2020 bonding proposal.
- Northern Bedrock Historic Preservation Corps – the AmeriCorps Team was in town July 24 – 31. They spent the entire time cleaning debris out of The Rock. They filled three 40-yard dumpsters. They also removed nails from a lot of the floor boards in the auditorium. They painted over some graffiti, and polished up the seats in the auditorium as well.

**ADJOURN**

**Motion Devlin, second Franklin to adjourn at 8:10 p.m. Motion carried 7-0.**

---

Phillip Kester, President

---

Kathy George, Executive Director