

**City of Sandstone
EDA Meeting Minutes
January 22, 2020**

CALL TO ORDER: 6:00 p.m.

ROLL CALL: Kester, Spartz, Anderson, Palmer, Gaede, LaBounty, Riley

Members absent: None

Staff present: Executive Director George, Recording Secretary Nelson

Others present: Alanea White with the Pine County Courier, Tyrone Grandstrand with Minnesota Housing Partners, Steve Slette and Eric Senarlghi with the Carlton County Riders Association, David Chasson, Oliver Dykstra and Tony Vavricka with the Sandstone Parks & Recreation Commission, Mark Jacobs with Dovetail Partners, Property Owner Melissa Polster

PLEDGE OF ALLEGIANCE:

EDA members, guests and staff recite pledge of allegiance.

APPROVE AGENDA

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

APPROVE MINUTES

Motion Palmer, second Riley to approve the minutes from the December 16, 2019 Regular EDA Meeting, and the January 6, 2020 and January 10, 2020 Special EDA Meetings. Motion carried 7-0.

PUBLIC HEARINGS / PRESENTATIONS:

Dovetail Partners – ATV Training/Obstacle Course Feasibility Study

Mark Jacobs of Dovetail Partners was present to present the Draft Feasibility Report on the KREEC property. He reviewed the results of a survey conducted of area ATV clubs (McGregor, Willow River, Isle, Moose Lake, Carlton, McGrath, Finlayson, and Grantsburg, WI. Of these clubs, Moose Lake would possibly use a Youth Training Area if it were developed at the property and Finlayson would very likely use it. Finlayson would also often use a Technical Riding Area, if developed, with McGregor, Moose Lake, and McGrath occasionally using it.

Jacobs addressed the physical characteristics of the KREEC site, noting that there are poorly drained soils and that there would likely be significant up-front costs related to environmental review and project development. He stated that there are grant funds available through the DNR (although they are limited and in high demand), and the City could possibly partner with other organizations for maintenance and enforcement issues. He noted that the nearest established trail system is about 15 miles away, which makes viable connections challenging.

Jacobs stated that there is uncertainty regarding the potential economic benefits to the City if this project were developed, due to the fact that the KREEC site is not currently connected to an existing trail system. He is not confident that the high initial investment in environmental review, design, and construction; and the on-going cost of maintenance and enforcement will ultimately be offset by a significant increase in tourism to the area.

Although Jacobs concludes that developing an ATV/OHM Technical Riding area in combination with a Youth Training Facility is possible (with significant investment), he recommends that the City put this project on hold and focus efforts on working with the DNR, Pine County, and local ATV clubs to attempt to connect the City to existing trail systems. He also encouraged the City to continue exploring alternative projects for the site, and suggested possibly a zip line feature.

There was a question from Senarighi, President of the Carlton County Riders Club, regarding the ability of the local riders to use this area versus trying to draw people from around the state. There was other input that disagreed with the opinion that the trail would need to be tied in to other trails. There was discussion regarding how the training, which is regulated by the DNR, is conducted.

David Chasson spoke to the EDA and guests on behalf of the Parks & Rec Commission. He had submitted a letter to the EDA and the Council detailing the history of the KREEC site, stating that there has been consistent support by public opinion for non-motorized uses. He stated that a committee of three Park & Rec Commissioners was formed to explore the use of the property and they were exploring the possibility of creating trails and camping areas.

There was a procedural question about how to move forward. Consensus of the EDA was for the discussion to go back to the Park and Rec Commission, with their suggestions brought back to the EDA. Chasson stated his desire for the Park and Rec Commission to work together with the EDA.

NEW BUSINESS:

Sandstone Development LLC – Amend Purchase Agreements

The due diligence period on the Purchase Agreements for two lots in the Business Park will expire on January 27, 2020. 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, and followed by a 6-month extension with additional earnest money. At the previous extension request, a year and a half ago, the EDA was told that the developer is looking for a Spring, 2019 ground breaking. The Developer is now asking for another 6-month extension to July 27, 2020. The Developer is also proposing an additional \$5,000 in earnest money on each parcel (\$2,500 upon execution of the amendment and \$2,500 within 90 days of the execution of the amendment).

According to the original Purchase Agreements, the EDA is to hold a public hearing within 30 days after the due diligence period and the closing on the sale of the properties is to take place within 60 days after the due diligence period. The amendment could include a stipulation that the EDA will hold a public hearing on August 26, 2020 during their regular meeting.

Additionally, the EDA had previously agreed to remove the special assessments from the Purchase Agreements. This amendment is included in the documents provided.

Motion Spartz, second LaBounty to give Sandstone Development LLC another 6-month extension, moving the due diligence period expiration to July 27, 2020, to remove the special assessment from the purchase agreements, and to include the stipulation that the EDA will hold a public hearing on the sale of the properties on August 26, 2020. Motion carried 7-0.

Sandstone Business Park – Market Analysis

Executive Director George has been working with commercial appraiser Kelly Lindstrom, asking for help in determining “fair market value” of the Business Park lots without doing a full appraisal. Her report is now complete, at a cost of \$5,500. The analysis evaluates vacant commercial and industrial developable land sales that occurred from January 2016 through December 2019, and existing vacant commercial and industrial developable land listings currently on the market. Sales/properties included in the research were located in Pine, Carlton, and Chisago counties, focusing on cities with ease of access to Interstate 35.

Based on the location of Sandstone, the varying lot sizes, and the current marketplace; the market analysis supports a price range of .25/SF (\$10,890/acre) to 1.00/SF (\$43,560/acre); suggesting the Sandstone Business Park price would be on the lower end. For example, .25/SF with incentives such as TIF to compete in the

marketplace. Additionally, the analysis states that it is not uncommon for municipalities such as Sandstone to sell land within industrial parks for \$1.00/lot to generate development and increase the tax base. Examples provided are from the cities of Isanti, Howard Lake, and Harmony, Minnesota. George will work on updating marketing materials to reflect the flexibility.

Accept Proposal for Redevelopment of The Rock

The EDA had advertised a Request for Proposals, looking for a developer who is interested in working with the EDA to redevelop The Rock. The goal is to work together to apply for funding through the Minnesota Housing Finance Agency in June. On January 6, the EDA held a work session to review and discuss the proposals from LS Black Constructors and Community Housing Development Corporation (CHDC). On January 10, the EDA conducted interviews of the two development teams.

Tyrone Grandstrand with Minnesota Housing Partners was present to assist with the discussion, answering their questions regarding low income housing. He took examples of different employment positions, and how they would/wouldn't qualify to live in the housing. Grandstrand reported that 54% of households and 60% of renters currently in Sandstone would qualify for low income housing. He explained eligible and qualified basis, applicable percentage, federal historic tax credits, and state historic tax credits. There are tax credit points available for working with people who are disabled such as those who are formerly homeless, have anxiety or veterans with moderate to severe PTSD, etc. There needs to be the services to support those with high needs and good management. Downtown Fergus Falls has a building they refurbished and they haven't had a vacancy since it's was opened.

EDA Members then discussed their thoughts regarding the two developers. Grandstrand led the group through an analysis of potential development partners, assigning points to various categories: Experience, Capacity, References, Minority/Women owned, Collaboration, and Other. After much discussion, the EDA was ready to make a decision.

Motion Anderson, second Riley to choose Community Housing Development Corporation (CHDC) to work with the EDA on the redevelopment of The Rock. Motion carried 6-1 with Spartz dissenting.

CONTINUING BUSINESS:

Various Updates

- NLX Alliance – The group is gearing up for the legislative session, hoping for some bonding money that can be used to leverage Federal grants. They are focusing on the “Grassy Point Bridge” and the “3rd Main” projects. They have \$81.5 million in requests for Federal funding. They are also working to bring Hennepin County back into the Alliance. President Kester and Lenny Bonander attended the monthly meeting earlier today.
- The Rock
 - Manoucher Rostamkhani has been served with the Summons & Complaint. He provided an Answer before the January 8 deadline, which included a counterclaim for damages. The EDA has to provide an Answer to the counterclaim by January 29. Since a counterclaim has been filed, the League of MN Cities Insurance Trust has been brought into the case.
- Land for Sale: George met with Kelly Lindstrom (commercial appraiser) on October 29 to review all the City / EDA owned properties that could be sold. Lindstrom recently completed her market analysis on the business park (noted previously). She will begin working on an appraisal of the current Street Shop building (City owned), along with the various vacant lots owned by the EDA.

- Day Care Center:
 - The next step is to set up a meeting with Lundberg Plumbing & Heating, Mark Haug Construction, Pete Spartz, Phil Kester, the Building Official, and the Architect to come up with the overall plan to remodel the building.
 - One quote has been received from ServiceMaster Restore for the repair work on the Day Care Center wing. Troy Haug was out last week to look the areas over and George is waiting for a quote from him as well.

- Economic Development Priorities: In light of the two reports that were presented last month from The Northspan Group (Business Retention & Expansion, and the Cluster and Rail Study), George started pulling out other reports/studies the City/EDA has conducted in the last several years – Roadmap to the Future, Wayfinding Signage Plan, Comprehensive Plan, Housing Study, Retail and Service Market Analysis, along with brainstorming sessions the EDA has held. It would be helpful to compile all of the recommendations, suggestions, to-do lists in one document and then collectively work on priorities.

- Sandstone Collision & Hot Rods: George had a meeting with the new owner, Patrick Takuani. He has been struggling to get business; however, he hasn't done anything to show the public that he is open and the business is under new management. He and George met with Tom Willett of the Small Business Development Center on January 2. Willett will continue to work with Takuani on a business plan. Takuani also accompanied George to the Chamber meeting on January 8.

- MN Department of Ag – Creosote Clean up: Terracon, the contractor, is planning to conduct an ambient air/monitoring well sampling event this week (January 20-25). They plan to collect samples from the banks of the Skunk Creek at several properties from the BNSF mainline easement to the waterfall on the KREEC property. They also plan to collect site-wide groundwater levels and sample select monitoring wells throughout town. Additionally, they are working at several private properties.

- Economic Development Association of Minnesota (EDAM) – their winter conference is coming up (this week, actually – Thursday and Friday). George plans to attend and is looking forward to making some good contacts and coming up with more ideas.

ADJOURN

Motion Palmer, second Spartz to adjourn at 8:28 p.m. Motion carried 7-0.

Phillip Kester, President

Kathy George, Executive Director