

City of Sandstone
EDA Meeting Minutes
March 25, 2020

CALL TO ORDER: 6:02 p.m.

ROLL CALL: Kester, Spartz, Anderson, Palmer, Gaede, Riley
Members absent: LaBounty
Staff present: Administrator George, Recording Secretary Nelson
Others present: Alanea White with the Pine County Courier

PLEDGE OF ALLEGIANCE:

EDA Members, guests and staff recite pledge of allegiance.

APPROVE AGENDA

Motion Palmer, second Gaede to approve the agenda as presented. Motion carried 6-0.

APPROVE MINUTES

Motion Palmer, second Riley to approve the minutes of the February 26, 2020 Regular EDA Meeting. Motion carried 6-0.

NEW BUSINESS:

Business Park Lots

At the February 26th meeting, the EDA discussed the fair market value of the lots in the business park. The recently completed Market Analysis supported a range of \$0.25 per square foot (\$10,890 per acre) to \$1.00 per square foot (\$43,560) per acre. The Market Analysis suggest the Sandstone Business Park lots would be towards the “lower end” of the scale with incentives (such as Tax Increment Financing) appropriate. The Analysis also stated that it is not uncommon for industrial/business park lots to be sold for \$1.00 (total) to generate development and increase tax base.

Administrator George explained that the lots had previously been valued at \$31,363 per acre (\$0.72 per square foot), and this is the number that has been used for all development (and potential development) that has occurred at the business park to date.

In looking at the layout of the business park, George asked the EDA to consider a tiered approach to valuation. She suggested that the lots adjacent to the interstate be valued at \$0.72 per square foot (\$31,363 per acre). The 3 lots across Lunderff Drive from the medical campus be valued at \$0.50 per square foot (\$21,780 per acre). With the remaining lots that are located across Lunderff Drive valued at \$0.25 per square foot (\$10,890 per acre). George stated that this analysis and tiered approach should satisfy the Federal EDA requirement to sell the lots for fair market value.

Motion Anderson, second Riley to approve a tiered approach to the valuation of the business park lots as presented. Motion carried 6-0.

Land Credit Program

At the February 26th EDA meeting, Administrator George mentioned that she had reached out to other communities to see what programs they have to entice businesses to their business/industrial parks. Of the responses received, Willmar and Hastings shared their versions of a land credit / land write-down program that

she thought would fit nicely in Sandstone.

George explained the program she put together for the EDA's consideration, based on various aspects of the Willmar and Hastings programs. Land credits can be used when the EDA owns the land. To be considered for a land credit, the business has to be permitted in the Professional/Light Industrial Business Park, such as manufacturing, processing or wholesaling. The State of Minnesota requires a business which receives a subsidy (of up to \$150,000) to sign a commitment agreement to remain in operation at the site for five years as well as set new job and wage goals or repay the subsidy. The Land Credit Program is considered a business subsidy.

In addition to the business subsidy criteria, the Land Credit Program allows credits for increased market value and job creation that are calculated at the end of five years if not done previously. If credits do not exceed the full value of the land, the developer must pay the balance to the EDA. Questions from EDA Members included how the program works for the lenders and how successful the programs have been for the cities of Willmar and Hastings.

Motion Palmer, second Gaede to adopt the Land Credit Program as outlined by Administrator George. Motion carried 6-0.

The Economic Development Authority of the City of Sandstone, a Minnesota body corporate and politic vs. Manoucher Rostamkhani: Settlement Agreement

Efforts have been made over the past several months to settle an encroachment issue regarding the historic high school building (The Rock). Eighteen feet of the 1960s-era addition extends onto the Rostamkhani property. A court action was started after a settlement could not be reached with the owner. During that time, the owner reached out with a new offer.

A tentative settlement agreement has been reached, wherein the EDA would purchase the two lots owned by Mr. Rostamkhani (45.5444.000 and 45.5445.000) for the total amount of \$250,000. In continued discussions with Rostamkhani, an agreement has been reached that the closing costs would be equally split between the EDA and Rostamkhani.

Motion Riley, second Spartz to approve the Settlement Agreement and Purchase Agreement for lots 45.5444.000 and 45.5445.000 to Mr. Rostamkhani. Motion carried 6-0.

COVID-19: Local Business Assistance

Due to the directives coming down from the President of the United States and the Governor of the State of Minnesota, local businesses are being severely affected financially; particularly, due to the mandate for social distancing. The Federal Government is considering various options for providing assistance to individuals and businesses, recently approving Economic Injury Disaster Loans through the Small Business Administration. This program is nation-wide and the on-line portal has been flooded with people trying to apply. The goal is to turn the applications around in three weeks. The Feds have also extended the deadline to pay income taxes; however, you must still file by April 15.

The State has implemented some things that are helpful; such as, a sales tax grace period and DEEDs Small Business Emergency Loan Program. The loans are interest free with a five-year payback and there may be potential for forgiveness. The program was approved; however, the on-line portal is not available yet.

The City currently has the Community Business Partnership Loan Program, which is a revolving loan for up to \$20,000, 5-year payback, at the current Prime interest rate (3.25%). This program is available for exterior improvements, code corrections, roof repairs, building renovations/expansions, energy efficiency upgrades, and

purchase of capital equipment. The fund currently has about \$324,000 available.

Administrator George stated that it would not be that difficult to modify the program to include COVID-19 Recovery. George has reached out to the Sandstone businesses and asked if they thought it would be helpful. Two businesses said it would be helpful, and two said it wasn't needed. EDA Members asked questions as to how to determine business loss, how much would be allotted for the program, if the applicant would need to be current on their other City accounts and if collateral would be required.

The EDA was in favor of the program while using the prime interest rate, a 6-month deferred interest and payment period, available to existing commercial businesses located in the City of Sandstone and no matching required. The requirement that all accounts being owed to the City must be current on payments will be left up to the EDA Loan Committee discretion. George will take the input, draw up the necessary documents, and get the information out to the local businesses.

Motion Spartz, second Riley to create a COVID-19 Business Recovery Loan Program immediately. Motion carried 6-0.

PUBLIC HEARING/PRESENTATIONS:

Sale of Land to Aaron Peterson Trucking, LLC

Motion Gaede, second Spartz to open the public hearing at 7:09 p.m. to consider the sale of land to Aaron Peterson Trucking, LLC. Motion carried 6-0.

The City received a proposal from Aaron Peterson Trucking for the purchase of Lot 2 Block 2 of the Sandstone Business Park. He would transition to this location from his Lino Lakes location to operate his trucking company. Peterson was not able to attend the EDA Meeting due to prior commitments and the COVID-19 situation.

Peterson has been in business since 2006 and his family lives in Hinckley. The desired property is the location of the former Airport Arrival/Departure building and storage shed. Peterson is interested in remodeling these spaces, using the Arrival/Departure building as office space and adding a shop space in the storage shed. He currently has four full-time employees and plans on adding several more.

This purchase of the property would increase the tax base as the property is not being taxed at the moment. There were questions regarding whether Peterson would need to hook up to City water and sewer, where employees are located, and valuation of the property. In the purchase agreement, the minimum improvements are spelled out, including the building remodeling, execution of a Petition and Waiver Agreement, allowing 12 months for the City to move the dirt pile, some insurance adjustments and adding one employee at state or federal minimum wage, whichever is higher.

Peterson is offering the purchase price of \$32,670 and would like to participate in the Land Credit Program. The EDA is required to hold a Public Hearing before selling land. The Public Hearing notice was published in the March 12th and March 19th editions of the *Pine County Courier*. No comments from the public have been received and none were received at the public hearing.

Motion Spartz, second Palmer to close the public hearing at 7:30 p.m. Motion carried 6-0.

Motion Spartz, second Palmer to adopt EDA Resolution No. 20200325-01 selling Lot 2 Block 2 of the Sandstone Business Park to Aaron Peterson Trucking, LLC for \$32,670 using the Land Credit Program. Motion carried 6-0.

CONTINUING BUSINESS:

Various Updates

- Northspan Group
 - George has asked The Northspan Group to compile a master “to-do / wish list” based on findings from the following efforts/reports:
 - Business Retention & Expansion Study
 - Cluster and Rail Study
 - Roadmap to the Future
 - Wayfinding Signage Plan
 - Comprehensive Plan
 - Housing Study
 - Retail and Service Market Analysis
 - Brainstorming sessions the EDA has held
 - Pine County Parks & Recreation Study
 - Market Analysis for the Sandstone Business Park
 - Community Vision Progress Report
 - ATV Training/Obstacle Course Feasibility Study
 - Robinson Park Master Plan
 - Once the list is compiled, we will have a phone conference to talk about next steps regarding the Community Development Initiative Plan that is needed to support The Rock redevelopment project.
- NLX Alliance – Members attended the “All Aboard MN” day at the State Capitol and made contact with Katie Hatt, MN DOT Interagency Rail Director. Jill Brown is working on presentation sheets for lawmakers. Letters of support from colleges and veterans’ groups are being compiled.
- The Rock Redevelopment
 - A meeting took place on February 27 with representatives from the Library, OSAC, and the Sandstone History and Art Center. A list of wants/needs was compiled and shared with Heidi (CHDC). A phone call will be set up with CHDC and the architect to discuss design/layout options for the building.
- The EDA Business breakfast will be postponed, possibly until fall.

ADJOURN

Motion Riley, second Anderson to adjourn at 7:40 p.m. Motion carried 6-0.

Phillip Kester, President

Kathy George, Executive Director