

**City of Sandstone**  
**EDA Meeting Minutes**  
**April 25, 2018**

**CALL TO ORDER:** 6:02 p.m.

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

Members absent: Warner

Staff present: Administrator George and Recording Secretary Nelson

Others present: Lorien Mueller & Jodi Isaacson with Great Lakes Management Company, Mike Reilly

**APPROVE AGENDA**

**Motion LaBounty, second Franklin to approve the agenda as presented. Motion carried 6-0.**

**APPROVE MINUTES**

**Motion Palmer, second Spartz to approve the March 28, 2018 meeting minutes. Motion carried 6-0.**

**PUBLIC HEARINGS / PRESENTATIONS:**

Lorien Mueller – Wild River Properties

Lorien Mueller, Senior Director of Property Management with Great Lakes Management Company, came to review the first quarter reports pertaining to the City’s housing properties – Wild River Townhomes and Wild River Senior Apartments. This covers the period of January through March. The rent income is slightly below budget. Effective revenue is right on budget. Overall expenses are over budget, for the first time in five years. General Administrative expenses are on budget. However, the Insurance and Real Estate tax line item is over budget because the Security and Fire Safety line item falls under this category. There was a \$4,400 expense that actually occurred in a previous year – the vendor delayed submitting the bill. The Salary Expense is slightly over budget which includes contract maintenance expense which had additional expense due to a water loss event. Utility expenses are close to budget due to the cold weather. Repairs and maintenance is over budget. The replacement HVAC units which were a \$12,000 expense, were in this category. Overall, operating expenses are over budget. Mueller raised the question of whether the EDA wants HVAC units categorized as an operating expense or as a capital item.

A marketing report was submitted. Tours have picked up. For those calls that did not end up with occupancy, several people wanted apartments that accepted pets, some needed something subsidized and some wanted an apartment that was a different size than what was available.

Occupancy rates:	<u>2017</u>	<u>First Quarter 2018</u>
Senior Apts	97%	98%
Townhomes	94%	87% (due to evictions)

EDA Members asked about particulars regarding eviction procedures. The capital projects for 2018 include lighting upgrades in the townhomes and parking repairs at the senior building. The lilac bushes that were cut down will be cleaned up soon.

**Motion Franklin, second Spartz to accept the Wild River Properties report. Motion carried 6-0.**

## Cliff Knettel – One Roof Community Housing

Cliff Knettel, Deputy Director of One Roof Community Housing, was planning to be present to explain the community land trust concept and the desire to work with Sandstone to develop 4 new homes in town. However, Executive Director George reported, after doing some marketing research on Sandstone and the surrounding communities, Knettel doesn't think that a land trust model is what the City needs or that One Roof can successfully develop new homes and price them at a level that would differentiate them from the rest of the market. In an e-mail, Knettel stated that house prices in Sandstone seem to already be priced affordably. Therefore, Knettel is not planning to include Sandstone in his 2018 application for funding. He is willing to continue to work with Sandstone and explore possibilities for the 2019 grant application. George responded to the email, asking if the tax forfeited lots the City is pursuing would be of interest. No response has been received as of tonight's meeting.

## **NEW BUSINESS:**

### Community Economic Development Loan Application – Mike Reilly

EDA President Phillip Kester recused himself from this discussion and vote because he is the owner of the property that is involved in this Agenda item.

The EDA received an application from Mike Reilly for a Community Economic Development Loan. Reilly would like to purchase the Kettle River Laundromat on a contract for deed from Phil and Lucy Kester. Reilly plans to purchase the property from the owner for \$225,000, to be financed as follows:

\$190,000 on a contract for deed from the owners  
\$15,000 personal equity  
\$20,000 CED Loan  
    \$15,000 to help with down payment  
    \$5,000 to purchase bill changer and ATM machine

The EDA Loan Committee met on April 24<sup>th</sup> to discuss the application and found the following:

- The purpose of the CED Loan Fund is to assist with new and expanding businesses.
  - This project is not a new business; nor is it an expanding business.
- The CED Loan Fund is intended to provide gap financing to supplement the primary financing provided by a local financial institution and other economic development lenders.
  - The primary financing is in the form of a contract for deed; not a local financial institution or other economic development lenders.
- According to the Loan Guidelines, Applicants must be prepared to:
  - Provide a minimum of 10% personal equity – this would be \$22,500; the Applicant is proposing \$15,000
  - 50% of the funding is to be through a private lender; a contract for deed does not meet this requirement.
- Applicants must demonstrate:
  - The project will improve the appearance of any existing structures; no improvements are proposed.
  - The project will provide additional tax base to the City or County; no additional tax base will be created.

Based on these findings, the EDA Loan Committee recommends the CED Loan Application of Mike Reilly be denied. EDA Members discussed with Reilly what can be done to help the application be accepted. Reilly thanked the EDA and has plans to meet the criteria and reapply.

**Motion Franklin, second LaBounty to deny the application while encouraging Mr. Reilly to reapply.  
Motion carried 5-0.**

EDA Member Resignation/Vacancy

It has come to the City's attention that EDA Member Brian Warner has a busy schedule and may not have time for the meetings. Spartz will talk with him and clarify. Members discussed possibly having the meetings during the day.

**CONTINUING BUSINESS:**

Various Updates – Executive Director George provided the following updates:

- Maurena Griffin withdrew her application for a Community Economic Development Loan.
- Staff is working with the City Attorney on a Certificate of Completion for the Gateway Clinic project. The Contract for Private Development was never recorded for this project. It needs to be recorded before a Certification of Completion can be recorded.
- The EDA Business Breakfast took place on April 5. About 35 people attended. Positive comments were received regarding the presentations and information provided. Applications for the Small Cities Development Block Grant program were provided, along with the Community Economic Development Loan program and the Downtown Design program. Participants were asked for input on areas where they could use some assistance. The following responses were received:

- (6) Technology Improvements/Updates
- (4) Marketing
- (3) Recruiting Employees
- Keeping Employees
- Training Employees
- Exporting Products
- (1) Expanding Footprint
- (3) Social Media
- (2) Local Policies

Other comments: “Great meeting & information”, “Love the City camera project!, Excellent session – Thank you!” and “Business Incubator at Old Hospital/Nursing Home”.

As a next step, the City could host some “brown bag” lunch training sessions in response to the topics mentioned, starting with Technology and Marketing.

- The Ribbon Cutting for Lunderff Drive was also held on April 5. A good crowd turned out for the event.
- Fiber optics– Staff is looking into options / costs to extend fiber throughout the Business Park. Right now, it stops at the hospital. One quote has been received, but others are being pursued. EDA Members discussed who has paid for the fiber that reaches the hospital and the benefits/costs of running it to the other lots. There was also discussion about whether or not fiber is available to the downtown business district.
- SEH is working on the rail layout plan. A conceptual design has been created and shared with BNSF for review and comments. The plan is still in the preliminary stages. There was a conference call made

yesterday between SEH Engineers Greg Anderson and Josh Cotter who are working on the design, Justin Pearson from BNSF and Executive Director George in which the benefits were weighed against out-costing the lots. BNSF will send the conceptual design plan through their channels and get back with the City as to their thoughts. Isanti built a spur and they are now looking for industry. Sioux Falls spent quite a bit of money and they had industry come in almost immediately. BNSF suggested getting to know the industries in the vicinity (primarily trucking companies) to determine the level of interest/need.

- NLX – Karl Schuettler of The Northspan Group has prepared a list of MN House and Senate members who are on committees that make transportation finance-related decisions. He also included all legislators who are within the NLX corridor. He is now working on putting together a letter/packet of information that the City can start sharing with these legislators – telling our story and making our case for why the maintenance facility should be located in Sandstone as opposed to Duluth. It is not known when money will be available to move forward with the NLX project. It is important, however, that the City start telling its story so that when the money is available, the legislators are geared towards putting the maintenance facility in Sandstone.

The NLX Alliance met earlier today and is planning to work with The Northspan Group on a strategic planning process as they transition from focusing on planning the NLX rail to fundraising.

- Opportunity Zones – The City received word last week that Sandstone was included in the Governor’s Recommendation to the U.S. Treasury for Opportunity Zone designation. Once approved by the U.S. Treasury, projects in Opportunity Zones will be eligible for funding through Opportunity Funds, which are an investment vehicle that is set up as either a partnership or corporation for investing in eligible property and utilizes the investor’s gains from a prior investment for funding the Opportunity Fund. Guidance is being developed by the Treasury Department and the IRS and should be available later this year. Pine City and Hinckley were also included.
- Staff met with an individual who is possibly interested in developing a day care center in town. At this point, the individual was just inquiring about zoning and processes.
- Liz Templin, Extension Educator/Community Economics with the UofM Extension was at a recent ECRDC meeting. She shared information regarding Inflow/Outflow Counts of Primary Jobs in Sandstone - based on 2015 data. The data shows, basically, that 793 people come in to Sandstone to work, 617 leave Sandstone for work, and 82 live and work in Sandstone.

## **ADJOURN**

**Motion Franklin, second Devlin to adjourn at 6:52 p.m. Motion carried 5-0.**

---

Phillip Kester, Chair

---

Kathy George, Executive Director