

**City of Sandstone**  
**EDA Meeting Minutes**  
**May 23, 2018**

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

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

Members absent: Warner, Franklin and Palmer

Staff present: Administrator George and Recording Secretary Nelson

Others present: Scott Knudson with Community Partners Research

**APPROVE AGENDA**

**Motion Devlin, second Spartz to approve the agenda as presented. Motion carried 4-0.**

**APPROVE MINUTES**

**Motion Spartz, second LaBounty to approve April 25, 2018 meeting minutes. Motion carried 4-0.**

**PUBLIC HEARINGS / PRESENTATIONS:**

Scott Knudson - Housing Study

Scott Knudson with Community Partners Research presented a DRAFT of the Sandstone Housing Study to the EDA. This is an analysis of the overall housing needs of the City of Sandstone. Knudson went over the list of individual sections and talked about the demographic data which looks at population, aging and household data and trends. There is an explanation in the report on where some of this data is drawn from – the Minnesota State Demographer’s Office and the American Community Survey from the census bureau which is self-reporting.

The Summary of Findings and Recommendations included the following points:

- Home Ownership Recommendations
  - The demographic pattern is conducive to building 1 to 2 moderate to higher priced single family houses annually.
  - There is a potential demand for 1 to 2 affordable new construction houses annually.
  - Promote affordable existing home ownership options. The median home value for an existing single family house in the community is at or slightly above \$100,000. A number of the older single family buildings have transitioned into rental units over the years in Sandstone. If there is a chance to bring some of these back to owner occupied, this would benefit the City.
  - Create home ownership incentives. It can be difficult for communities to do but the creation of homeownership incentives using available resources results in higher home ownership but it can be hard to maintain. The most successful homeownership incentives out there require the communities to invest \$10,000 - \$15,000 into each home that is built through fee waivers on city charges for sewer or water, building permits, or cash incentives for those using local contractors, and property tax abatements.
  - Monitor the residential lot inventory. Sandstone would benefit from additional single family lots and better building lots.
  - Findings on Community Land Trust use in Sandstone. There is information on the Community Land Trust model. They work best in communities where the high home values are rising rapidly and the cost of land is high.
- Rental Housing Recommendations
  - Develop 26-32 market rate town house-style rental units. The rental housing recommendations are for smaller town house-style rental units and moderate rent apartment-style units. These appeal to senior citizens and empty nesters that are looking to moving from owning an older single family home to rental but still want some of the amenities of a single family home such as a garage, laundry facilities and private entrances.

- Develop 10-12 units of apartment-style market rate moderate rent housing. This would be less expensive than those with garages and such.
  - Develop subsidized rental housing as resources allow. This would probably be maintaining and preserving the units Sandstone already has. One way Sandstone could develop would be to bring in more rent assisted vouchers.
  - Explore options for moderate rent income-restricted housing development. Seek out state incentives for moderate rent income-restricted housing development such as Work Force Housing and Low Income Housing Tax Credit. Sandstone may have difficulty in competing for those programs in comparison with Hinckley because of the jobs that are there.
  - Monitor specialized senior housing needs; especially, the higher services housing such as the assisted living memory care. There will be growth in the senior citizen population in the coming years.
  - Promote the development of senior housing with light services for more independent individuals.
- Housing Rehabilitation and Preservation
    - Continue to promote owner-occupied housing rehabilitation programs such as the Small Cities Development Program that Sandstone is involved with presently.
    - Promote rental housing rehabilitation programs – which is not as easy to do as the owner occupied.
    - Continue to utilize the rental licensing requirement to monitor the size of the inventory. With the higher rate of rental units in Sandstone, it helps to track the quality of the rental units.
    - Consider the development of a purchase/rehabilitation/resale program. The City could lose some money on the units but it's a way of preserving the older homes and prevent them from transitioning into rental units.
    - Continue with demolition and clearance activities.
    - Continue to promote downtown/commercial rehabilitation – this is general advice.

EDA members asked for elaboration on table 30 – “Commuting Times for Sandstone Residents.” The data is from self-responded surveys. There was a question regarding the median existing home values in Sandstone and the surrounding towns. All this data is from the American Community Survey. Median year for home construction in Sandstone is 1950. For rental units, it is 1979. Housing unit availability and household growth are linked. The City does not have an excess of housing. There is not a lot of vacancy in rental units or single family homes. For the City to add population, there are going to have to be places for people to live. A new idea is a tax abatement for purchasing a rental home, converting it to a single family dwelling. 40-50% of taxes go to the city. Other tax jurisdictions could be approached to participate. Waseca and Gainesville have started tax abatement for building single family homes.

The City needs to identify the priorities and figure out how it can assist. There are ways to set up revolving funds such as the Small Cities Development Program monies that will eventually be repaid to the City. This could be used for a Purchase Rehab Program. There was a question about the difference in the graphs on page 39 and 40. The first compares the total tax rates between the cities. The second is the cities' portion.

The council asked about table 26 – Rental Distribution – does that include subsidized housing? It should include all of the rental units but this survey was sent out to the individual households (tenants) so was self-reporting. 30% of the rental units in Sandstone are subsidized which is a larger percentage than other cities. There are also a large number of lower income renters looking for affordable housing.

#### **NEW BUSINESS:**

##### Sandstone Development, LLC – Request for Extension

The City Attorney was contacted by Tammera Diehm, Winthrop & Weinstine, the attorney who represents Sandstone Development, LLC. The due diligence period on the two Purchase Agreements for lots in the Business Park expires on May 26th. The City had previously provided a 30-day extension which was allowed in the Purchase Agreements.

The Developer is now asking for an additional extension of 120-days, stating that they have experienced delays in performing testing and inspection due to the delayed spring. Staff countered with a 60-day extension and additional earnest money. The Developer has previously paid \$2,000 in earnest money (\$1,000 per lot), which is being held by the

Title Company, in accordance with the two Purchase Agreements.

The Developer has agreed to the 60-day extension. They also agreed to pay additional earnest money. The amended Purchase Agreements include \$2,000 in earnest money for each parcel, changes the due diligence period to 210 days total (the original 90-day period + 60-day extension + this 60-day extension), and removes the provision that would allow another 60 days (which has already been used). This would put the public hearing in August.

The council discussed the fact that the contract stipulates that the earnest money, plus accrued interest, reverts back to Sandstone Development, LLC should they not purchase the lots.

**Motion Devlin, second Spartz to approve the amendments to the purchase agreements which gives Sandstone Development, LLC an additional 60-day extension and increases the earnest money to \$2000 per lot on the stipulation that the clause that the earnest money will be returned if the purchase does not occur be removed. Motion carried 4-0.**

#### Midwest Properties of Sandstone, LLC – Subordination Agreement

The City was contacted by Kent Marthaler, Principal of Midwest Properties of Sandstone, LLC (developer of the Golden Horizons Assisted Living property). Marthaler is refinancing his construction loan (currently with Minnwest Bank) with permanent financing through First Bank & Trust. This will require changes in most of the documents the City has with the Developer. Staff requested \$2,500 in escrow funds from Marthaler to pay for the City's costs associated with these changes. The \$2,500 has been received by the City.

The council asked about the City's finance terms being changed by this and the answer was no. What is being subordinated is the \$92,647 Promissory Note for the land purchase. If the property changes hands, the promissory note comes due.

**Motion LaBounty, second Spartz to approve Resolution No. EDA 20180523-01 approving subordination agreement with Midwest Properties of Sandstone, LLC. Motion carried 4-0.**

#### EDA Member Resignation/Vacancy

It has come to the City's attention that EDA Member Brian Warner is resigning from the EDA due to his busy schedule and lack of time. EDA Member Spartz spoke to Warner today and he did indicate that he needed to resign. The Administrator has a database from the business breakfast. She will send out information to those who attended to see if anyone is interested in the open position.

**Motion Devlin, second Spartz to accept Brian Warner's resignation from the Sandstone EDA. Motion carried 4-0.**

## **CONTINUING BUSINESS:**

### **Various Updates**

- Sandstone hosted the GPS 45:93 meeting on Friday, May 18th, at the Sandstone Area Golf Course. Jeff Rossate, Director of Business Development with DEED, was present. GPS members were taking him on tours of industrial parks along the I-35 corridor, including the Sandstone Business Park. They are looking for feedback from Rossate regarding how best to market the region for new and/or expanding development.
- Staff is continuing to 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.
- Fiber – 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 we are pursuing others as well. Deputy Clerk Jackson is working on the shovel-ready process and this is part of that as well.

- SEH is working on the rail layout plan. A conceptual design has been created and shared with BNSF for review and comments. More work is needed, based on the comments received. SEH is working to address BNSF comments. The rail spur would be built and owned by BNSF but funded by the City.
- NLX – The Alliance is working on a strategic planning process to help transition from planning and environmental work for the project to lobbying for support and funds. Letters of support were distributed from the North Pine Area Hospital District. The Administrator will not be able to attend the meeting next week.
- Opportunity Zones – The City received word this past Friday that the U.S. Treasury approved all 128 low-income census tracts that Minnesota had recommended, including Sandstone, 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.
- The MN Department of Ag and Terracon are currently coordinating the Spring 2018 remediation activities at the former Kettle River Company Creosote Plant site located at 202 Highway 23 South. Clean Harbors, the remediation contractor, has indicated they plan to start on Wednesday, May 30th. The work will continue through the middle to end of June, 2018.
- Solsmart is an effort by the US department of energy to get communities shovel-ready to accept solar. If the City expressed an interest as being designated a solar friendly city, technical assistance would be available such as looking at ordinances. It doesn’t cost the City money but will take staff time. The Administrator will investigate it.
- The EDA has received a loan application on the 61 Motel. They are working with Northview Bank and possibly bringing in entrepreneur funds. The buyers are hoping to close by July 1. A special meeting may be need to be called, depending on timing of the application/financing.

**ADJOURN**

**Motion Devlin, second LaBounty to adjourn at 7:18 p.m. Motion carried 4-0.**

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Phillip Kester, Chair

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Kathy George, Executive Director