

**City of Sandstone**  
**EDA Meeting Minutes**  
**June 27, 2018**

**CALL TO ORDER:** 6:04 p.m.

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

Members absent: Devlin and LaBounty

Staff present: Administrator George and Recording Secretary Nelson

Others present: Joshua Cotter, SEH

**APPROVE AGENDA**

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

**APPROVE MINUTES**

**Motion Spartz, second Palmer to approve May 23, 2018 meeting minutes. Motion carried 4-0.**

**PUBLIC HEARINGS / PRESENTATIONS:**

Joshua Cotter, SEH – Rail Layout Plan

Administrator George explained how the EDA and staff will use the information SEH has provided in this Rail Layout plan in conjunction with the Sandstone Business Park. Joshua Cotter collaborated with Northspan and BNSF in putting together the plan. Cotter started the presentation describing which of the lots will lend themselves best to rail turn outs. He went on to discuss the expense – \$200 - 250 per foot to go from green field to construction. That makes a turnout cost approximately \$450,000. Cotter's aim was to figure out an operational plan that minimizes the amount of infrastructure that the City would have to put in while allowing as many commercial options as possible. For this reason, his first plan had just one mainline turnout. After presenting this layout to BNSF, it was rejected in favor of a second mainline turnout which allows the delivery train to leave the mainline entirely and not block other traffic.

Speaking to the finances, Cotter explained that usually communities have a tenant to share the costs with and federal and state money is available for partial funding as well. Minnesota has a new grant program; Cotter will send information to George. There was discussion regarding the possibility of BNSF paying for part of the installation, which is not likely. The acreage that would have access to the Sandstone rail would be about 70 whereas usually communities try to have rail access by a minimum of 200 acres to spread out the cost.

Cotter spoke briefly in response to an EDA member's inquiry regarding the light rail interaction with this proposed plan. If NLX builds their maintenance facility in Sandstone, it would be built behind Lamberts Lumber in town.

The EDA would want to contract out all the building of the infrastructure – BNSF will build the turnout. Maintenance was asked about – Cotter suggested a private contractor. It would be set up something like a homeowners association – charge the companies per car or a similar sliding scale fee to help pay for maintenance. Insurance against accidents was discussed.

The EDA discussed the necessary setback from the highway. When designing, Cotter kept the spur about 500 feet away from Airport Road so that the engines won't block it.

Cotter expounded on the types of businesses that could be attracted to each of the lots due to the size and location of each. Karl Schuettler, from Northspan, pointed out in an e-mail that the EDA should be thinking about the type of industry they don't want. What uses make sense with the nearness of the hospital? The size of the parcels limits the businesses who need large plots which means the use will be denser. That might lead to selling to noisier industries – more truck traffic, etc. Acquiring additional land was also mentioned.

Timing was asked about. Cotter provided a typical timeline:

STAGE	ACTIVITY	START	END	TIMELINE
1	New opportunity conceptual layout request	Conceptual layout request received	Conceptual layout delivered to ED Mgr.	1 week
2	New Business Review (internal BNSF assessment)	NBR created	NBR completed	2 weeks
3	Project schematic approval & cost estimate preparation	NBR completed notification	BNSF cost estimates completed	9 weeks
4	Customer acceptance & payment	Proposal letter sent	Check deposited	9 weeks
5	Request for capital	Check deposited / CPAR approved	AFE approved	3 weeks
6	Track & signal materials ordered and delivered	AFE approved	Track and signal material delivered	13 weeks
7	Track & signal construction	Customer agreements & contracts executed	Track and signal construction complete	13 weeks
8	Engineering & Construction complete	Final customer track inspection completed	Actual project in service date entered in ESI	1 week
9	Customer moves cars into facility Project Closeout	Actual project in service date entered in ESI	CDI, CRF & Credit complete	1 week
	Total Engineering and Construction timeline			52 weeks

The EDA was appreciative for the education they received and Administrator George mentioned the discussion she had regarding the port authority in Duluth.

## NEW BUSINESS:

### EDA Loan Application – Kenyi & Sons

The EDA received a loan application from Kenyi Okucu on behalf of Kenyi & Sons located in Andover, MN. They are planning to purchase the 61 Motel for \$230,000. They are securing a loan from Northview Bank for \$122,000 and are planning on a July 3<sup>rd</sup> closing date. They have been approved for \$50,000 from the Entrepreneur Fund as well. They will put \$38,000 of their own funds into the deal and are asking the EDA for \$20,000. The EDA's \$20,000 will be used to make improvements to the property which will increase the tax base.

In reviewing the EDA Loan guidelines, the project appears to qualify:

- (1) They are going through Northview Bank for \$122,000 (55% of project cost); and the Entrepreneur Fund for \$50,000 (4.5% of the project cost);
- (2) They are providing personal equity of \$38,000 (16.5% of project cost);
- (3) They are asking for \$20,000 from the EDA (9% of project cost);
- (4) The project will create or retain jobs;
- (5) The project will improve the appearance of existing structures;
- (6) Eventually, the project should provide additional tax base with the proposed improvements;
- (7) Although it is not a new or expanding business, it would revive a dying business.

The buyer will be creating two jobs and improving the appearance of the business. The buyer has a taxi business in Andover and works for Honeywell as an engineer since 2008.

One of the EDA Members inquired about the current EDA loan fund balance. Although Administrator George did not have the exact amount handy, she estimated it at ~\$150,000.

**Motion Franklin, second Spartz to approve the loan request from Kenyi & Sons. Motion carried 4-0.**

Wild River Senior Apartments – Deck Staining

The Wild River Senior Apartments budget in 2017 allocated \$7,200 for deck staining. This project was not completed prior to cold weather/winter setting in. Therefore, the project has been rebid for \$12,150. This includes an optional \$1,850 for applying a product to the horizontal cracked deck rail cap surfaces.

The 2017 operating expenses were \$33,000 under budget total for the Townhouse and Senior buildings. The YTD 2018 Operating expenses are \$12,000 over budget due to the replacement HVACs. Again, the deck staining is not in the 2018 budget as it was in the 2017 budget.

Administrator George authorized the project to move forward. The EDA asked as to whether local contractors were asked to bid for the job.

**CONTINUING BUSINESS:**

**Various Updates**

- Staff has been working on preparing the Business Park for “Shovel Ready” status. The next step in the process involves conducting a required ALTA Survey. ALTA = American Land Title Association. This type of survey incorporates elements of the boundary survey, mortgage survey, and topographic survey and assures potential developers that there will be no surprises regarding the property. An ALTA Land Survey guarantees to meet the requirements for an ALTA/ACSM Land Title Survey as detailed by the American Land Title Association, National Society of Professional Surveyors and the American Congress on Surveying and Mapping. Staff is currently getting a couple of quotes for this survey work.
- 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.
- Economic Development Workshop – June 18<sup>th</sup> – Administrator George attended this workshop, which was a good refresher and review of available financing tools. TIF and Tax Abatement are familiar; but, George was not aware of an Economic Development TIF District. This District can run for up to 8 years (which may be more acceptable to the community) and can be used for small commercial developments, such as retail and office space, if the City is identified as a “small city”. To be identified as a “small city”, the population must be under 5,000 and the city must be located at least 10 miles away from another city that has a population over 10,000. So, Sandstone qualifies as a “small city” and could use this tool for retail. Interesting to note because there aren’t many tools that will help with retail.
- Pine County Local Government Meeting – May 29<sup>th</sup> – EDA Members Spartz attended this meeting which included updates from the Mille Lacs Band. He updated the EDA on some of the things the Band is considering such as producing their own soap and opening a large commercial bakery. Spartz made sure that they knew that Sandstone would be welcoming of their business pursuits.

- Train Park Kiosk – the Park & Recreation Commission is working on poster designs for the kiosk at Train Park, turning it into an Information Center. There are 6 panels on the kiosk. The plan is to designate one panel for each of the following:
  - City Parks
  - Robinson Park
  - **Directory of Businesses in town**
  - **Directory of non-profits and service organizations in town**
  - Quarry Days
  - History of Sandstone

**Other**

Thank You Note from Randy Lasky was received.

**ADJOURN**

**Motion Franklin, second Palmer to adjourn at 7:32 p.m. Motion carried 4-0.**

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Phillip Kester, Chair

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Kathy George, Executive Director