

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

**CALL TO ORDER:** 6:00 p.m.

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

Members absent: None

Staff present: Administrator George

Others present: Lorien Mueller, Jodi & Jason Isaacson

**APPROVE AGENDA**

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

**APPROVE MINUTES**

**Motion Palmer, second Franklin to approve June 27, 2018 meeting minutes. Motion carried 6-0.**

**PUBLIC HEARINGS / PRESENTATIONS:**

Lorien Mueller – Great Lakes Management

Lorien Mueller, Senior Director of Property Management with Great Lakes Management Company, was present to review and discuss the Wild River Senior Apartments (SA) and Wild River Townhomes (TH) – 2<sup>nd</sup> Quarter Financials and proposed 2019 budget. Jodi & Jason Isaacson, the management team for the properties, were also present.

Before Mueller began, she was asked about the current deck staining project; specifically, if local contractors were given the opportunity to bid on the project. Mueller stated that local contractors are always the first to be invited to bid; however, it has been very difficult to get bids from any local contractors lately.

In general, Mueller stated, occupancy remains strong in 2018 with 98.5% average in the SA and 92.5% for the TH properties. 100% of both properties are currently leased. She stated that finances are doing well, with revenue receipts exceeding budget amounts. This is due to actual vacancies being less than projected. Expenses are in line with the budget so far, with an overall variance of only \$277.

Mueller then reviewed proposed 2019 budgets with the EDA. Previously, rents have been increased \$5/month each year for all units. However, due to EDA member comments in January, Mueller is proposing a percentage increase, rather than a flat amount. SA rents would increase 1% which equates to \$8 - \$9 monthly increases depending on the unit. TH rents would increase 1.5% which equates to \$10 - \$11 monthly increases. Mueller stated that TH rents have lagged behind because of previous decisions to hold the increases down, due to high vacancy rates. She would like to see the rents catch up now that vacancies have decreased. For budgeting purposes, Mueller uses an 8% forecasted vacancy loss for SA and a 10% vacancy loss for TH.

Mueller reviewed the Comparative Budget Analysis for the SA properties. Revenue increases slightly with the 1% rent increases. Salary expense increases 3.3%. Professional fees increase 11.6%, which is due to a \$1,000 increase in the Management Fee, which is based on a percentage of revenue. Contract services increase 14.3% due to carpet cleaning needs. Repairs & Maintenance decrease 29.3% due to removal of a \$7,000 allowance that was moved to Repair & Replacement Reserve funds. Net Cash Flow is projected to be a deficit of \$31,124 after debt service payments.

Mueller then reviewed the Comparative Budget Analysis for the TH properties. Revenue stays flat due to the higher projected vacancy loss. General Administrative increases 12.3% due to higher eviction costs. Professional fees increase 11.3%, again due to a \$1,000 increase in the Management Fee. Repairs & Maintenance decreases 16.2% due to shifting some costs to Repair & Replacement Reserve funds. Net Cash Flow is projected to be a deficit of \$57,066 after debt service payments.

The City has been supplementing the Wild River budgets each year in order to make the debt service payments. In 2018, the City levied \$100,000 for this purpose. The 2019 shortfall for both properties totals \$88,190.

Mueller then reviewed proposed projects for the properties. For the TH, lobby painting (\$4,500), property sign replacement (\$1,650) and a playground (\$20,000) are planned for 2019. EDA members discussed the playground with some feeling that it should be a community asset and others feeling that it should be just for the residents. At this point, Mueller would look for quotes and bring them back to the EDA for approval. Within 4 years, parking lot repairs/replacement is planned (\$10,000). SA projects for 2019 include elevator upgrades (\$10,000) and property sign replacement (\$1,650). Within 4 years, common area painting (\$20,000) is planned.

Mueller also reviewed the Payments In Lieu of Taxes that are paid by the properties. These calculations are based on gross income and will be adjusted to reflect actual income and expenses. For 2019, projected PILOT payments total \$27,049.

**Motion Devlin, second Spartz, to approve the proposed 2019 budget and Capital Projects for the Wild River Senior Apartments and Wild River Townhome properties as presented. Motion passed 6-0.**

#### **NEW BUSINESS:**

##### Certificate of Completion – Gateway Clinic

Administrator George explained that according to Section 4.4 of the Contract for Private Development, the City is to furnish a Certificate of Completion after substantial completion of the minimum improvements has been achieved. The minimum improvements are defined as: construction and equipping an approximately 11,000 square foot medical clinic on the development property. The minimum improvements are complete.

**Motion Franklin, second LaBounty to approve the Certificate of Completion for the Gateway Clinic property. Motion carried 6-0.**

##### Purchase & Redevelopment Contract – Area Youth Ministry & Co.

The EDA entered into a Purchase and Redevelopment Agreement with Area Youth Ministry & Co., Inc., on August 6, 2013 regarding the old high school building – The Rock. Environmental remediation was to be completed within five years. Administrator George stated that effective August 7, 2018, Area Youth Ministry will be in default as environmental remediation has not occurred. She recommends the EDA serve a 30-day notice of default in conjunction with a 90-day notice of reverter rights and proceed with taking the property back. During discussion on the matter, George reviewed possible sources of income, available programs, potential developers, comments in the Pine County Strategic Housing Plan, statistics in the recently completed Sandstone Housing Study, and various ideas regarding redevelopment of the property. EDA Members discussed additional insurance costs to the City, roof repairs, broken windows, etc. Redevelopment would involve completely gutting out the inside of the structure. All agreed that it is a big undertaking. However, some EDA Members stated that if the City doesn't take proactive steps, they fear the same conversation will be taking place in 15 to 20 years from now, with the building in much worse condition.

**Motion Kester, second Palmer, to serve the 30-day notice of default in conjunction with the 90-day notice of reverter rights on Area Youth Ministry & Co., on or after August 7, 2018. President Kester called for a vote on the motion. Kester, Palmer, Spartz, LaBounty, Franklin, aye; Devlin, Nay. Motion passed 5-1.**

##### Sandstone Development, LLC – Extension of Due Diligence Period

The due diligence period on the two Purchase Agreements for Lot 1, Block 2 and Lot 2, Block 1, both of the Grant Knowles Addition, expires on July 25<sup>th</sup>. 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.

Scott Sannes, SEH, visited with Mayor Spartz and Administrator George on Thursday, July 19<sup>th</sup>. Sannes was informed that neither the Mayor nor the Administrator would sign another Confidentiality Agreement. They informed him that the City is supportive of the project and are anxiously awaiting the time when the details can be shared with everyone.

Sannes stated that there are many things going on behind the scenes and that tens of thousands of dollars have already been spent. The Developer has been working diligently with various partners, as the project involves many components.

More time is needed as they work to bring all the details together. Staff suggested a one-year extension because it is not likely that the Developer will be ready this fall, as they had previously hoped, and are looking more for a Spring, 2019 ground breaking.

Along with the request for the extension, the Developer submitted the following letter:

Sandstone Development, LLC (the "Buyer") is excited about the new development opportunities that it is pursuing for the properties under contract with the Sandstone Economic Development Authority (the "EDA"). We respectfully request that the EDA approve the proposed amendment to purchase agreements to extend the Buyer's due diligence period.

While plans continue to evolve, and are not yet ready for public presentation, the Buyer is working with several national companies that are interested in growing their presence in this area. The current plans will not only result in the redevelopment of underutilized sites, but will bring exciting new businesses to the City of Sandstone which will increase tax revenue and result in job creation. While the uses that are currently being pursued fit within the existing zoning regulations, the purchase agreement requires that the final site plan and details of use be presented to the EDA in a public hearing format prior to the closing. Given this, you will have an opportunity to review our plans in detail before the property is sold.

Like most redevelopment projects that involve multiple parties and multiple parcels, it takes time to bring all of the pieces together. Over the past several months, the Buyer has spent a significant amount of money in due diligence efforts at the site, utilizing consultants to assist with environmental investigation, engineering, site planning and title review. Similarly, the Buyer's project partners are engaged in their own due diligence which takes additional time and coordination. Following the execution of the current purchase agreement amendment, the Buyer will have deposited \$9,000 of non-refundable earnest money that the City will retain. These funds, together with the due diligence efforts, demonstrate a significant financial commitment on the part of the Buyer and its partners.

We are confident that the redevelopment of this property will be something that is an asset to the City. Thank you for supporting our request to extend the due diligence period and assisting us in developing a project proposal that the City will be proud of.

EDA Members asked the Administrator to ask the City Attorney if the EDA would be considered to be in default if they did not extend the due diligence period. Staff will follow up on the question.

**Motion Devlin, second Spartz, to approve the 1-year extension of the due diligence period for Sandstone Development, LLC. Motion passed 6-0.**

**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 an 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.

Two quotes have been received for the ALTA Survey:

St. Croix Surveying	\$15,760.00
LHB	\$ 7,500.00

Staff asked the EDA to consider approving the quote from LHB so that the shovel ready process can continue. **Motion Spartz, second Palmer, to approve the quote from LHB to perform the ALTA Survey of the Business Park for \$7,500.00. Motion passed 6-0.**

- 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.
- Business Retention & Expansion (BR&E) Workshop – Friday, August 17<sup>th</sup> – The City of Sandstone has been selected (from a pool of 18 communities) to benefit from a FREE BR&E Workshop put on by the University of Minnesota Extension, with funding from the Initiative Foundation. Staff is looking for 10-20 community leaders and appropriate people to participate in the workshop. Rose Spencer has been asked to help recruit attendees as well. Coordination with 3 local businesses who are willing to be interviewed for practice is also needed. So far, Cheri’s Flower Basket has agreed to participate.
- East Central Regional Library Community Listening Session – July 19<sup>th</sup> – Staff attended the session in Pine City. ECRL did an on-line survey and received about 700 responses. They are also doing internal staff and librarian surveys. People were able to express their opinions about what they see, need, and like about the library. Responses included the vast supply of resources, the internet, on-line books, magazines, newspaper, Legacy programs, children’s reading programs. They asked about community challenges overall. Responses included drugs, housing, transportation, taxes, employment / job search resources. And they asked how ECRL can help address the needs of the community. Responses included continuing to offer the many resources, as they are a good equalizer for people who don’t have access otherwise, frustrations with the phone system, expand programming.
- Housing:
  - The City is acquiring 5 tax-forfeited properties from the County. The plan is to demolish the structures and sell the lots for in-fill development.
  - Final Housing Study – copies provided.

- The County is finishing up a Strategic Housing Action Plan, which will be presented to the County Board on August 7<sup>th</sup>.

**ADJOURN**

**Motion Franklin, second Spartz to adjourn at 7:30 p.m. Motion carried 6-0.**

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Phillip Kester, Chair

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Kathy George, Executive Director