

**CITY OF PARK RAPIDS
CITY COUNCIL MEETING
October 10, 2017, 6:00 PM
Park Rapids Public Library-Lower Level
Park Rapids, Minnesota**

1. CALL TO ORDER: The October 10th, 2017, Regular Meeting of the Park Rapids City Council was called to order at 6:00 p.m. by Mayor Pat Mikesh, and everyone present recited the Pledge of Allegiance.

2. ROLL CALL: Present: Mayor Pat Mikesh, Councilmembers Ryan Leckner, Erika Randall, and Liz Stone. Absent: None. Staff Present: Administrator John McKinney, Public Facilities Superintendent Chris Fieldsend, Treasurer Angela Brumbaugh, and Clerk Margie Vik. Others Present: Pat and Paul Dove, Florence Hedeem, Tom and Gail Petschl, Char Christianson, Cynthia Jones, Mary Thompson, and Nicole Vik from the Enterprise.

3. APPROVAL OF AGENDA: A motion was made by Stone, seconded by Randall, and unanimously carried to approve the agenda as presented, with additional information for Item #8.4.

4. APPROVAL OF MINUTES:

4.1. City Council Regular Meeting Minutes-September 26, 2017: A motion was made by Leckner, seconded by Stone, and unanimously carried to approve the September 26th, 2017, City Council Regular Meeting minutes as presented.

5. FINANCE:

5.1. Payables & Prepays: A motion was made by Stone, seconded by Randall, and unanimously carried to approve the payables in the amount of \$23,484.08, and the prepays in the amount of \$198,083.90, for a total of \$221,567.98.

6. CONSENT AGENDA: A motion was made by Randall, seconded by Stone, and unanimously carried to approve the following consent agenda items:

- 6.1. Approve Backhoe Operator's License to Work in the City of Park Rapids in 2017 for Septic Solutions.**

- 6.2. Resolution #2017-146 Authorization to Execute Minnesota Department of Transportation Airport Maintenance and Operation Grant Contract.**
- 6.3. Resolution #2017-147 Appointing Park Rapids Police Officer Robert Gilmore to Temporary Patrol Sergeant for the City of Park Rapids.**
- 6.4. Approve Outside Work for Police Officer Robert Gilmore, as per the City of Park Rapids Personnel Policy #44.**
- 6.5. Resolution #2017-148 Authorizing Proper City Officials to Execute the Paperwork to Certify Special Assessment for PID #32.75.01900.**
- 6.6. Approve Repairs of Cracks on Depot Park Tennis Courts by Demco LaVine, in the Amount of \$3,250.00, cost subsidized by a Donation of \$1,625.00 from the Tennis Association.**
- 6.7. Approve Purchase in the Amount of \$2,937.51 of a New Snow Wing from Falls Plows, and the Purchase of a Cutting Edge in the Amount of \$462.58 from Kris Engineering Inc., for Public Works Truck #17.**
- 6.8. Approve Purchase in the Amount of \$5,247.92 from Girtz Implement and Tire for Replacement Tires for Units 5773, 10, 5, and 17 for Various City Departments.**
- 6.9. Approve Pay Request #3 in the Amount of \$365,226.52 to Anderson Brothers Construction for the 2016 Apron and Taxiway Rehabilitation Project at the Municipal Airport.**
- 6.10. Resolution #2017-149 Setting Public Hearing on the Proposed 2018-2022 Capital Improvement Plan for the City of Park Rapids.**
- 6.11. Resolution #2017-150 Accepting Donations for the City of Park Rapids.**
- 6.12. Approve Public Facilities Use Permit for Jacob DeBliek d.b.a. Park Rapids Water Ski Team to Use Pioneer Park on Saturday, October 28th, 2017, from 3:00 p.m. to 5:00 p.m., for the Tri Wizard Tournament.**

6.13. Resolution #2017-151 Authorizing Proper City Officials to Execute the Paperwork to Certify Special Assessment for PID #32.24.04300.

END OF CONSENT AGENDA

7. COMMENTS FROM CITIZENS: There were no comments.

8. GENERAL BUSINESS:

8.1. Headwaters Regional Development Commission Housing Development Proposal in the City of Park Rapids: Mary Thompson stated the Hubbard County Housing and Redevelopment Authority (HRA) is committed to providing opportunities to low and moderate individuals to have safe, affordable, and stable housing. Historically, we have accomplished this mission in a variety of ways including transitional housing, supportive/permanent housing, multi-family and single-family rental housing, owner occupied rehabilitation, homeownership opportunities through MURL, purchase/rehabilitation/resale, and single-family housing development.

Thompson stated transitional housing means that it's rental housing for up to two years. Individuals need to be homeless before they move in. Supportive is a permanent rental facility that individuals have supports that are added to that to help them be successful in homeownership. The owner-occupied rehabilitation program is a program that uses state funding that allows individuals to make health and safety improvements to their home. We do a wide variety of activities.

Thompson stated Hubbard County HRA has contracted with the Headwaters Regional Development Commission (HRDC) for many years for staffing support. I'm an employee of the HRDC, but work under contract with the Hubbard County HRA. One of the benefits of that is we have more of a regional approach so we can find things that work really well in other communities and see if we can make those things work here.

Thompson stated the project that we are proposing is a result of the work that we've done in other communities. We have done new construction of moderate, workforce housing for families for some time. We were successful in Blackduck and Baudette. We think that model can be successful here in Park Rapids as well. We have found that when we have undertaken this it takes community support in order to make it happen.

Thompson stated we have put together a request to both the county and the city in order to play a role to make this development happen. There are eleven tax-forfeit properties that are in the Hocking Addition that we have done some budgeting work on. We have interest in redeveloping those into eleven single family homes. We've approached the county and asked that they provide those to the Hubbard County HRA for \$1.00, which they have done. Their meeting was October 3rd, and I have documentation that that was approved. That one step has been taken care of, and now we are here for our proposal. Those properties are tax-forfeited but there are some significant special assessments attached to those properties. The total is \$162,000.00. According to our budget numbers, we're looking at a sale price of \$155,000.00. We think that is affordable

to the market that we are trying to target. It is a sale price that is not largely available in this community. We think that it will hit a wide variety of owners. If we can acquire the property, our projected construction costs, if the city is willing to entertain our request for a reduction of the assessments, we'll be able to break even on this project.

Thompson stated typically, the Hubbard County HRA charges a developer fee. We charge a percentage of the sale price to pay for staff time. That's to organize and figure out the future workings of the project. The HRA will look at foregoing that developer fee as part of their contribution. The county has already taken action, and with all of those pieces in place we feel that we can break even on this project and end up with eleven new homes in the community. That will provide additional tax base for both the city and the county where you wouldn't have that otherwise. We've been looking at the maximum amount we can do to make our numbers break even and be zero based on our experience with other contractors and where we think the numbers need to be. It's really about the economics of the entire package.

McKinney stated the staff met with Thompson and Tim Flathers and went through the proposal. The city's involvement is whether or not you'd be willing to discuss the abatement of all or part of the assessments. The properties have already gone into forfeiture to an over the counter sale. This is something to help that sale happen. If you are interested in proceeding you would refer it back to staff to negotiate a specific proposal with the HRDC, and then we'd bring it back to you for approval. There has been no development of those lots since the improvements were put in place. They were built at a good time, and went on the market at a bad time. The assessments are significant and are probably an impediment to a sale.

Stone questioned who and how do you qualify for these homes? Thompson stated anyone who is 80% of the area median income and that calculates to about a \$64,000.00 annual income. Generally, most people do qualify in that 80%. However, we do have tools available for those with lower income. There is a mortgage product from Minnesota Housing that most local lenders have. It's called First Start Home Mortgage, which is targeted for first time homebuyers. It will provide up to 95% financing. We have down payment assistance products available as well. Hubbard County HRA, HRDC, and the First Step Housing Program all have down payment assistance dollars. So, first time homebuyers can qualify for 100% financing. For very low-income individuals, in a specific income bracket, they can qualify for USDA/Rural Development, which is in Detroit Lakes who will provide 100% financing as well. Although we have that cap, individuals who have lesser income still can qualify to purchase these homes.

Randall questioned they wouldn't have to be first time homebuyers? Thompson stated no. As long as the income limit is below that 80% then they could be a first, second, or third, homebuyer. We have some individuals who may want to sell larger properties and move in. The homes we are looking at are going to be slab on grade, which means it's all one level living. There will be three bedrooms with a master bath suite. For folks that are looking to downsize, all one level living makes for an attractive home for all age groups. They are nice starter homes too, with attached garages. You won't have the issue of stuff all over the yard since you have a place to put your lawnmower, etc. They are also very attractive homes at 1,300 square feet. We have a package that we shop to local contractors. The floor plans are nicely designed for curb appeal.

McKinney questioned what about the staging for the development? Thompson stated so that we don't overbuild for the demand we are looking at staging for two houses per year. We would build two houses starting in the spring of 2018. Then do two houses every year. If we had the opportunity that we had a presell with a signed purchase agreement and a guaranteed sale we would up the production. If we find that the demand is higher than we are expecting we can step it up and build out sooner. But for our budgeting purposes we expect to do two homes per year over a five-year period.

Randall questioned where are these located? Leckner stated across from the dump. They have been for sale for a long time. Randall questioned will the yards be finished and the driveways be asphalt? Thompson stated typically we spread black dirt and then plant grass seed. If we don't have someone there to water it becomes very challenging. The expense is too great to do sod. A lot of the financing requires a certain number of trees and shrubs. Those would be put in as well. We will not tar the driveways, but we will make sure they are nicely put in and graveled. We put on small aprons on the front of the garages. Depending on the financing of the buyer some require larger aprons than others. But we do put a reasonable amount of those things. The homes are meant to be nice to have and the individuals don't have to put a lot of work into.

Mikesh questioned you're helping all these people out for affordable houses, do they have to keep them a certain number of years? Thompson stated we can put covenants in place if that is something you want. Some of the mortgage products that we have used do require what is called covenants so we will say that if you don't live in your home for a certain period of time then you have to repay a certain amount. We do have the potential where we could attach some covenants. An individual could purchase the home and have a residency requirement. These homes would be sold at somewhat market rate. Generally, the economics of it all is you purchase a home and build up some equity, sell it, and then move to another home. These are at the market rate. It would take most individuals a while to build up enough equity to be able to actually turn it. Generally, we don't feel that people are capitalizing on it, it's a significant investment, or that they are undercutting the price or that they are getting such a sweetheart deal that they can turn around and do that. If the house appraised at \$150,000.00 and we sold it for \$140,000.00 then absolutely we would secure that 10% in some sort of residency requirement because we don't want people to immediately cash out that \$10,000.00. These homes are priced at what they are going to buy them for so we wouldn't see that kind of incentive, generally.

Stone stated so there's some variability in the options for the houses, like the roof pitch. Thompson stated sometimes the roof pitch is based on the site design. These are samples that I provided you. They are not exactly the home plans we would use. We would provide a package to the contractor. That would be established when we do the bidding. It's about the home design, the cost of construction, and making sure that our numbers come in at the right spot.

McKinney questioned so you build two houses per year without a buyer and then you sell them. Thompson answered yes.

Randall stated I'm all for affordable housing but I've lived in a lot of houses in Park Rapids and when neighborhoods are developed and the yards and driveways aren't done I have found that people in the first-time homebuyer's situation that they don't spend money on making their yard look nice. I'm concerned about a development that's going to have yards that don't look good. Thompson stated we do seed them but we don't seed them

until we get owners because they need to be watered. I make sure that there is grass growing and trees but not before we have a buyer because we can't monitor the grass. We do landscaping but we're careful about when we do it. We don't want to do it two or three times. It's about the timing of it. Randall stated that clarifies it, but I have the concern about it looking undone. But I don't love a neighborhood full of gravel driveways.

Leckner questioned can we request that the driveways must be tarred? Thompson stated you can request anything you want. The issue is we have to figure out a way to pay for it. If we expect that the sale price is going to be \$155,000.00, and based on the size of this house, that's the most I can do. Then I'm going to have to figure out how am I going to use that \$155,000.00. My experience shows that the contractor will take about \$145,000.00 for the materials, plumbing, and heating, etc. That leaves me with \$10,000.00 that I have to pay for all of the other things that are related to the development. So, tarring driveways will be another cost that has to come out of there, then I will have less money to pay for the assessments. It's really a numbers game. It's not that I'm not willing to do that, but I have to find resources to make that happen and these numbers are very, very tight. If I can find a source to pay for that, absolutely, but I can't guarantee that.

Randall stated I'd like that explored. If we have to give up this much assessments anyway, I just want it to look finished. Stone stated as do I. Randall stated to me it's worth exploring giving up some more of the assessments so that it's a finished neighborhood. Leckner stated those lots, historically, nothing's been done with them because the assessments are so high. They were listed for \$5,000.00 and they can't sell them. It would be nice to get a tax base and get something going there.

Randall stated this is a great price point for a lot of families, but I don't want to create a situation where we have a neighborhood that is unfinished. We've all been there, we've bought a house and you have a to-do list and it takes so long to get all that stuff done. Thompson stated I'm not unwilling to do that, I just have to find the resources to do it. If you are interested in looking at the assessment a little harder, we can figure that out.

Leckner stated I'd be interested in that, working with the assessment part. Mikesh stated work with staff, and have them bring it back at a later date. McKinney questioned do you have a timetable on when you need an answer? Thompson stated the construction season will start in May. I'd like to have most of this done so I can start negotiating with the contractor so I can have them ready to pull the trigger as soon as we can start construction. I want most of the construction season to get the numbers as tight as I can.

Stone questioned did you put it out for bids already? Thompson stated I have not. I have worked with other contractors in other communities so I'm pretty comfortable with the numbers that I have included here. I will start with the local contractor base first. If I can't find that I may use one of the other contractors I have used in other communities. But my preference is to use local resources.

A motion was made by Randall, seconded by Stone, and unanimously carried to refer to staff the Headwaters Regional Development Commission Housing Development Proposal in Hocking's Addition to come up with a definitive plan to be considered, that will include a finished yard and driveway for each house.

8.2. Request from the Park Rapids Lakes Area Arts Council for a \$250.00 Grant to Help Defray the Cost of the Leadership & Strategy Development Program- tabled 09-26-17: Stone stated this request is "after the fact", so I recommend

that we decline the request at this time. I would ask the Park Rapids Lakes Area Arts Council to prepare a presentation that they could bring forth in the spring for the Finance Committee's consideration so that it could be worked into the 2019 budget. **A motion was made by Stone, seconded by Randall, and unanimously carried to deny the request from the Park Rapids Lakes Area Arts Council for a \$250.00 Grant to Help Defray the Cost of the Leadership & Strategy Development Program.**

8.3. Council Vacancy: McKinney stated based on past experiences your options are tentative on timing. When there is less than half of the term left of the vacate seat the Council has the option of making the appointment. You can do that a variety of ways. In the past you adopted a procedure where you published notice and invited people to submit an interest letter, and then as a Council you go through those letters. We have put together based on your past practices the documents that would do that. The letters of interest would have to be submitted by October 19th, and then on the October 24th agenda you would consider those that you received. The unexpired term would be for roughly fourteen months. The notice would be in the paper two times.

A. Resolution Declaring a Vacancy in the Position of Councilmember on the City Council of Park Rapids: A motion was made by Randall, seconded by Leckner, and unanimously carried to approve Resolution #2017-152 Declaring a Vacancy in the Position of Councilmember on the City Council of Park Rapids.

B. Approve Public Notice of Vacancy: A motion was made by Leckner, seconded by Stone, and unanimously carried to approve the Public Notice of Vacancy for City Councilmember.

8.4. Resolution Approving Revised Plans and Specifications and Reordering Advertisement for Bids for the Pioneer Park Restroom in the City of Park Rapids: Fieldsend stated the Council has decided that they want the building constructed at the back of the lot. These plans have been modified for that change along with a few other modifications to lower the cost. Moving the building to the back will cost more. Part of the project will include moving the rocks out of the way.

Randall questioned on page A1 there is some mention of three different electrical boxes. Fieldsend stated the plugins will still be in the front. There's a bench, the kiosk, and a pad. Those are existing features that will stay. The electric will be hooked to the main building and it will also run to the front where we need outlets. There will be a small pedestal there where the Christmas tree will be connected.

Randall questioned you mentioned changes to the plan? Fieldsend stated we went from a lower grade brick to a medium grade. We did a different roofing system from a seamless to a standard roof. We went from cedar timbers to treated. I went to two of the contractors along with the architect and asked how can we lower the price of this without changing the aesthetics. All three said the same things, so that's what we changed.

McKinney stated we also changed the dynamics of the construction period by giving them the bidding in the fall. Fieldsend stated the timeline is to have construction start the first week of November on the 6th and end April 30th, 2018. There is a \$200.00 per day

penalty for any days after the finish date. We are going to include that on this contract because we had some problems at the fire hall, so we are now including it on all of our contracts.

Stone questioned so they would start digging in November? Fieldsend stated they are going to dig as soon as they can. Stone questioned when are the bids due? Fieldsend stated the bids would be opened on October 23rd, which is just before our next Council meeting. We will take that to the Council on October 24th and award the bid. All the contracts need to be signed and they can start the first part of November.

Mikesh questioned the electrical box where we plug in the tree is going to be changed out? Fieldsend stated it will be smaller and be placed on a pedestal. The actual main and the breakers will be inside the building. Mikesh questioned didn't we have trouble with that last year? Cynthia Jones stated last year the power in the street got switched off.

A motion was made by Leckner, seconded by Randall, and unanimously carried to approve Resolution #2017-153 Approving Revised Plans and Specifications and Reordering Advertisement for Bids for the Pioneer Park Restroom in the City of Park Rapids.

9. CITY ADMINISTRATOR COMMENTS: McKinney stated the departments are getting ready for fall.

10. DEPARTMENT HEAD UPDATES: There were no comments.

11. MINUTES/REPORTS/INFORMATION: There were no comments.

12. COMMENTS FROM COUNCIL: There were no comments.

13. ADJOURNMENT: A motion was made by Randall, seconded by Leckner, and unanimously carried to adjourn the meeting at 6:38 p.m.

[seal]

Mayor Pat Mikesh

ATTEST:

Margie M. Vik
City Clerk