

**PARK RAPIDS CITY COUNCIL  
SPECIAL MEETING  
JANUARY 10, 2020, 4:30 PM  
Park Rapids City Council Chambers  
Park Rapids, Minnesota**

**1. CALL TO ORDER:** Acting Mayor Erika Randall called the City Council Special Meeting for January 10<sup>th</sup>, 2020, to order at 4:35 p.m.

**2. ROLL CALL:** Present: Councilmembers Tom Conway, Erika Randall, Liz Stone, and Robert Wills. Mayor Ryan Leckner arrived at 4:40 p.m. Absent: None. Staff Present: Administrator Ryan Mathisrud, Planner Andrew Mack, Treasurer Angela Brumbaugh, and Clerk Margie Vik. Others Present: Mary Thompson, and Robin Fish from the Park Rapids Enterprise.

**3. GENERAL BUSINESS:**

**3.1. Grant Application for Meadow Brook Apartments-Phase II:** Mary Thompson, from Heartland Lakes Economic Development Commission, stated my draft explains the reasoning for the second phase of the apartment building and provided some information about the financials and the continuing demographics of the Park Rapids area and how there is still a need for this particular market of apartment building.

Thompson stated when we originally planned for the first part of the development, we looked at the potential of doing some cost saving measures. We planned for two and built one. The Meadow View Apartments is the northern one. The parking lot is shared between the two. When we constructed the first building, we did 2/3rds of the parking lot. the ingress and half of those stalls were in anticipation of the second building. We put all of the valley drains in there so that the only part of the parking lot that we have to construct is the southernmost strip. The lower building would be called Meadows Edge. The buildings will be identical. There will be two one-bedrooms, eighteen two-bedrooms, and eight three-bedroom units. The fit and finish on the inside is nicely designed. It's a very nice place. We are going to stick with that same level of fit and finish. We will do some things on the outside to differentiate the buildings so they are not identical, but they will be in the same color configuration. We have a lot of cost savings built into having the two almost identical buildings going on.

Thompson stated with the application there is, and with an additional twenty-eight more households coming onto Career Path, it's really going to be necessary to do something with the road. We knew that going into the first project. As we did the application for this one, we really planned on how can we create less of an impact on the city and the surrounding property owners to be able to accommodate the extra traffic that's necessary and still make it fairly affordable. We built into this budget the entire phase one construction for Career Path, which includes the extension of the sanitary sewer, watermains, and urban streets, all the way up to the end of our property,

which would be north on Career Path. It includes coming from Highway 34, pass the DAC to the north end. It would connect to the existing connections under Highway 34.

Thompson stated with the state funds that we are looking to access there are two caveats. One is that the total amount of the request can't be more than 25% of the entire project. The request that we have is \$650,000.00 and it is 20%, so it falls within the perimeters. The second thing is that it is a 2 for 1 requirement. So, for every \$2.00 of state funding you have to provide match of \$1.00 of local funding. The plan is that the city would come with \$300,000.00 and the HRA would use some in-kind of expenditures that we made that are attributable to this building. We're deferring the developer fee as well so that we can bump up our match so that we can be able to fully fund that \$650,000.00 of request. All of that between those two is taking care of that other threshold that we have to get over.

Thompson stated the one thing about this application is that this is right on the heels of the completion of our first one. It's a very competitive grant application for funding. Because we have already received funding there is a chance that we may not get it. The other side of that coin is that we have a history of performing. All of the projects that we have done have been on time and on budget or under budget, and we're getting them filled immediately. We really are having good success. My hope is that the state will weight those factors in.

Thompson stated you may have noticed that the application was due today at noon. We did submit it without having the resolution signed. We got permission to do that. If you choose not to approve, we can pull the application. It was more damaging for us to wait. They wouldn't have accepted it at all if we would have waited and not submitted it. We can pull it should you choose not to move forward with the project, which is fine.

Thompson stated the status of our existing Meadow View is as of today we have ten units filled. It was officially opened on the 1<sup>st</sup>. We're ten days in and we have ten units filled. We have applications being processed for another two units, with some more out there. We fully expect that we'll be half full by the end of the month. The status of filling that up is going quite well.

Mathisrud stated you indicated that there is a city match requirement. How would the city meet that match? Thompson stated in the information that we had gotten from the engineering report, if you would do the street without any sort of consideration of the grant being involved there was a level that the city would typically be required to pay based on your existing policies. We assumed that you would have requirements anyway and try to buy those down as much as possible. The expectation is that you would have to put some money in for the road construction. In order to try and buy that down we were looking at the \$300,000.00. Mathisrud stated if we do pursue this project, basically, it's contingent on the city doing the road project as part of it. Thompson stated yes.

Mathisrud stated should the Council support this application, ultimately, it would function similarly to the last one that we supported in 2018. The city would act as the fiduciary on it. We'd process the request for payment and then disperse the funds to the developer at the time that it's needed. Finance looked at funding the road improvements. Because of the scale of the project, if we limit the improvement to only Phase I, which is construction of Career Path, ultimately, we're looking at \$300,000.00

for the city's portion. In the engineer's report it indicates city share would normally be \$435,000.00, but due to the work force housing grant they would buy down the city's share of that project by \$135,000.00, and also, the grant would pay the assessments for the individual property owners that are there. By doing that it reduces the cost of a special assessment hearing because they will be no assessments. That would be a cheaper way of going. We wouldn't necessarily have to bond for the project. \$285,000.00 of the road project would be paid cash out of the enterprise and storm water funds to cover those costs. There are other funding sources for the remaining \$15,000.00, the city levy or from liquor store funds. We do believe there are cash resources available to pay the city's portion if we go forward with it.

Mathisrud stated in the packets there is a funding plan for those road improvements. It's premature to select the funding options, but just know that it's available there. That would be decided at the time we commit to designing the road and moving forward with the project.

Conway questioned the \$285,000.00 funding, is that money that is designated now for anything else? Mathisrud answered no. \$85,000.00 comes from the enterprise funds, so that would need to be budgeted out of those capital reserves we have. \$200,000.00 would come from the storm water fund. That balance goes to storm water improvement projects or street projects like this. Leckner questioned and the \$15,000.00? Mathisrud stated the remaining \$15,000.00 options would be to pay it out of the general fund balance. That would affect the levy. Alternatively, you could do an interfund loan. You can borrow that from the enterprise funds, to reduce the hit to the general fund, and pay it back with interest. Or you can fund it through liquor store reserves. That's a pretty small amount compared to other things. That's not necessarily the recommended approach, but it's an option.

Leckner questioned with this project they will be paying property tax? Mathisrud stated the benefit of this type of project compared to other developer driven projects is that this one immediately pays property taxes. That will reduce the impact to the general fund right away. Traditionally, when the city supported other housing related projects, we've used tax increment financing (TIF), at least for the last three apartment buildings. By doing that, that's better than not doing a project, but generally, you don't collect any taxes right away. There's a delay period of ten to fifteen years before you see the benefit to your general fund. Through TIF the city taxpayers are subsidizing the project initially. With this one the state would be subsidizing the project right out of the gate. In terms of paying for a street, that's a better way to go, but certainly there are other considerations as well. Leckner stated that's one plus I see in this project, to bring revenue to the city.

Randall questioned we're just approving the application? We'll still talk about whether we approve the project, and how we approve it, and the road at a later time. Mathisrud stated that is correct. We would definitely debate the details of the road at a future time. But be advised, if this is funded and if we decide to move forward with the project, a road improvement project would be required as part of it. We'd have to then make decisions around that as well.

Conway questioned that estimate is \$300,000.00? When we originally looked at that road, we had two options of how to do that road. Mathisrud stated that would be for an urban section street for just Career Path. It would not include Charles Street. We

would construct an urban section with curb and gutter, storm water, retention basin for Career Path.

Conway stated I haven't gotten much feedback from constituents since the construction of the other building. I heard a bit at the beginning, but I haven't heard anything since it's been there one way or another. Stone stated surprisingly no one has said anything to me. Leckner stated I haven't either. Stone stated it's been relatively quiet. I was surprised when I drove out there a few days ago. It was 1:00 p.m. and there were only two cars in the parking lot. It was a surprisingly quiet arrival.

Leckner questioned what are the housing needs? Conway stated they have done a study and the need for this type of housing still exists. What should be the fill rate of these buildings? You say that you should be half full by the end of the month. You were taking applications prior to it's opening. Is it actually being filled in a timely manner? Thompson stated typically, with apartment buildings the fill rate is six months to a year. When we had our appraisal done for the first building, he was anticipating the maximum length of time would be four months, which is very quick from an apartment filling standpoint. He also said that we still have a 3% vacancy rate in the community. That's saying this apartment building is expected to fill a missing niche. Because of that it will fill much faster than anticipated then budgeted in most developments.

Conway questioned have we had any concerns expressed by private owners of apartment complexes in the city? Thompson stated I haven't heard any. They haven't approached me in any of my roles. Andrew Mack stated every comment that I've received has been very positive about this and that it is filling a need. Also, I've never seen a better organized, efficient construction process in six months from start to finish to complete a project. It's very impressive. The crew that came in from Bemidji to do this work was outstanding. We don't normally have that caliber of construction in Park Rapids. Thompson stated technically over half of the construction crew is from Hubbard County.

Leckner stated I did have a business owner in town ask if the lumber yards here in town could have a chance to bid on that because they didn't get asked. Thompson stated we can absolutely do that. Hubbard County HRA is the sponsor for that project. They were cognizant of that. In this case, well over half of the contractors and subs are from Hubbard County. They may not be Park Rapids but they are Hubbard County.

Wills questioned is it atypical to open an apartment complex this time of year? Thompson stated it would not be the ideal time of year to open it, but that is another reason why filling as quickly as we are or that we are anticipating is an anomaly. Usually you'd want spring because people don't want to move in January. What's interesting about some of the folks that we have coming in are they are older retirees, because it's one floor living and it's very efficient. We are getting older folks who are very interested. Some are looking at the potential to downsize. That is ultimately a benefit as well because they are downsizing then a house becomes available for sale. That helps with the housing market. We have folks that are moving in to take jobs. We have a couple of different unique markets. We are taking some folks from the Middle School apartments. They are anxious to be out of that living situation.

Mack stated our last apartment project in town was preleased at approximately 50% upon completion. I think the occupancy rate at Crystal Brook is not anywhere near

100% yet. It might be close to 65%. It takes time and there are more units there. That is also a different product.

Conway questioned does Crystal Brook fall into the housing study? It is such a limited niche. Thompson stated it is analyzed, but the most current, true housing study that was done for Hubbard County is twelve years old. It was done in 2008. We have had some assessments anecdotally, and the best assessment that we actually had was part of our appraisal which had significant market study information. The appraiser took studies from all of the neighboring communities that had been done and did some assessment based on that. Senior living is part of the mix, but it wasn't the target that we were looking for. We just ended up getting some, or at least interest from some. It wouldn't have been a real good comparison because we are not competing against them.

Stone questioned what are the requirements to live there? Thompson stated you have to have a job to pay rent and not be a detriment to society. We do background checks. We want to make sure that the folks that live there do not have any violent offenses or anything that would make them unsafe to be around. They have to have a job. The rents are set so that the folks with Section 8 vouchers can't live there. The two-bedroom rent is too high. It really is people that have to work in order to be able to afford the rent. The rent is \$750.00 for a two-bedroom, \$800.00 for a three-bedroom, and \$685.00 for a one-bedroom. They are really affordable rents. We did the calculations to fit that sweet spot so that the folks who could afford that would be making \$13.00 to \$14.00 an hour. It's really the target market that we were looking at. You have to work or have an income. If it's a retiree or have disability income, the assumption is that if you have retirement income you would have worked.

Leckner stated if this does get approved the city is going to have to put a road in. We're giving a commitment to that. We can work with the numbers and how we're going to do it. Mathisrud stated that is correct. If we approve this, we are basically committing to move forward with the road project and a building permit for this thing. We'd have to figure out the details of how we would fund it, the scope of the project, etc.

Conway stated the issue is, right now you have the opportunity to gain something by putting the road in. If nothing else, a new apartment building. I think from the discussions that we had last time at some point even if you don't do the second building the road is going to have to be improved. We are just delaying it. We have the opportunity to gain something by doing it at this time.

Leckner stated the other property owners on that road are really benefitting because they're getting their assessments paid. Conway stated the cost of the road is going to be matched. Thompson stated we put in the budget the entire \$655,000.00, which is the engineer's estimate. \$365,000.00 would be funded by grant funds. \$300,000.00 would be funded by the city. We're putting all of that in there to fund the entire road.

Conway stated this is an opportunity for us to get help with something that we're going to have to pay for at some point anyway. It may be a little earlier than we were planning on doing it, but if we wait until we were planning it, we may not have the opportunity to gain as much. From that logic I'm in favor of doing it.

**A motion was made by Conway, seconded by Wills, to approve Resolution #2020-01 Authorizing Execution and Submission of Minnesota Workforce Housing Development Program Grant Application for the City of Park Rapids.**

**Discussion:** Mack stated on the grant application there will be some additional sequencing for approvals for the project. The project will require a conditional use permit under the current ordinance. There would be a public hearing for phase II. It will afford the city additional controls prior to your decision regarding the street project. For the street project a task order can be created in relation to whether or not the grant is approved, then the better the bids will be. Bids are based on estimates from 2019. In my experience the sooner in the winter that you can put out for bids the better the bids are on the cost of construction. Thompson stated we should hear back with enough time to be in the ground by spring.

**4. ADJOURNMENT: A motion was made by Conway, seconded by Stone, and unanimously carried to adjourn the meeting at 5:05 p.m.**

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Mayor Ryan Leckner

ATTEST:

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Margie M. Vik  
City Clerk