

**CITY OF PARK RAPIDS**  
**CITY COUNCIL SPECIAL MEETING**  
**MAY 11, 2020, 1:00 PM**  
**Via Telephone**  
**Park Rapids City Hall Council Chambers**  
**Park Rapids, Minnesota**

Pursuant to Minnesota Statutes 13D.021, Subdivision 1(1), the City of Park Rapids has determined that in-person meetings of the Council are not prudent during the COVID-19 health pandemic/peacetime emergency declared by the Governor's Executive Order No. 20-01 under Minnesota Statutes Chapter 12. As such the following City Council meeting during such state of emergency was held by telephone, and the presence of the Councilmembers and the public at the meeting was not feasible.

**1. CALL TO ORDER:** The May 11<sup>th</sup>, 2020, Special Meeting of the Park Rapids City Council was called to order at 1:00 p.m. by Mayor Ryan Leckner.

**2. ROLL CALL:** Present: Mayor Ryan Leckner (in person), Councilmembers Tom Conway, Erika Randall, Liz Stone, and Robert Wills (by phone). Absent: None. Staff Present: Administrator Ryan Mathisrud (in person), and Clerk Margie Vik (by phone). Others Present: Robin Fish from the Park Rapids Enterprise, and Attorney Robert Scott (by phone).

**3. GENERAL BUSINESS:**

**3.1. Resolution by the Mayor and City Council of the City of Park Rapids, Minnesota, Approving the Waiver of Accrued Interest and Fees on Park Rapids Revolving Loan Fund Loans to Armory Square Management Corporation:**

Mathisrud stated we have called this special meeting to process the necessary paperwork for the closing of the Armory Square Project and to do it as quickly and with as few snags as possible. City Attorney Robert Scott is here to explain the process.

Robert Scott stated you have a draft resolution before you for Council approval. The City EDA is purchasing Tract B of the armory building from Armory Square Management Company. In the course of that closing for that purchase by the EDA, and is always the case in a real estate transaction, the secured interest holders in the property need to be paid off so that the title can be cleared and a good title can be conveyed to the EDA. The City of Park Rapids is among the creditors with secured interest on Tract B of the armory building. The city has previously issued to the seller through three Park Rapids Revolving Fund loans, which are secured by mortgages on the property, and also issued a Small Cities Development Program Loan to the seller that was funded by grant funds from the

Department of Employment and Economic Development (DEED). So, all together there are four loans.

Scott stated of the four loans, the city has no discretion to make any accommodations or in any way alter the terms of the Small Cities Loan. That is a matter of administering the loan on DEED's behalf. One of the requirements of the grant that funded that loan, as I understand it, is it must be repaid if any portion of the facility for which the loan funds were issued is sold. So they must collect the outstanding balance, including any accrued interest on that loan.

Scott stated on the three revolving fund loans, the city would have more discretion on those. What is proposed and has been tentatively agreed to by all of the parties is that the city waives interest and a few late fees in an amount which is set forth in the resolution. Altogether across the three loans we're talking about a concession by the city of about \$9,600.00. The reason that our office is recommending that the City Council agree to those payoff amounts, as the city administrator alluded to, we did have some difficult negotiations as we came down to the wire towards closing trying to make the numbers work. My analysis is that the city is not legally required to make any accommodations, but that in the interest of facilitating this transaction and achieving the greater good of closing on it with all parties relatively satisfied, we would recommend that the city agree to these slightly reduced payoff amounts.

Scott stated the city, as one of numerous creditors, as explained in the memo that I provided to the Council, I think you could have driven a hard line here and insisted that the complete balance, including interest and fees, be paid off at closing. But, I think the city's consideration of waiving interest and fees was really instrumental, and along with other creditors making similar accommodations, which I summarized what those were in my memo to the City Council, they were in some cases more considerable. Those collective efforts by all of the creditors were what is allowing this transaction to proceed to closing, which is I think is a momentous occasion and a great, positive, development for the community of Park Rapids, as well as the city and the EDA.

Scott stated with that overview, the one requested action of the City Council in this meeting is to approve this resolution. I should point out that by making this accommodation the city is providing consideration that would support a release of claims from the seller. In this case I do not view the city as exposed to any claims, or any legitimate claims of liability, but the fact is there is always that possibility. Even if the city has a very strong legal position, as I believe it does, there is certainly value to having the counter party in this transaction waive any claims so the city knows it doesn't even have the possibility, or any likelihood, that it might have to or even go to court and defend itself. There's certainly value in receiving a release of claims as part of this accommodation. With that, I would recommend that the City Council pass the resolution. I would stand for any questions that the Council may have.

Leckner requested questions or comments. There were none.

**A motion was made by Wills, seconded by Stone, and unanimously carried to approve Resolution #2020-91 Approving the Waiver of Accrued Interest and Fees on Park Rapids Revolving Loan Fund Loans to Armory Square Management Corporation.**

**4. ADJOURNMENT: A motion was made by Wills, seconded by Stone, and unanimously carried to adjourn the meeting at 1:10 p.m.**

[seal]

---

Mayor Ryan Leckner

ATTEST:

---

Margie M. Vik  
City Clerk