

**CITY OF PARK RAPIDS
CITY COUNCIL MEETING
FEBRUARY 12, 2013, 6:00 PM
Park Rapids Public Library-Lower Level
Park Rapids, Minnesota**

1. CALL TO ORDER: The February 12th, 2013 Regular Meeting of the Park Rapids City Council was called to order at 6:06 p.m. by Mayor Pat Mikesh, and everyone present recited the Pledge of Allegiance.

2. ROLL CALL: Present: Mayor Pat Mikesh, Councilmembers Dave Konshok, Rod Nordberg, Erika Randall, and Paul Utke. Absent: None. Staff Present: Administrator John McKinney, Liquor Store Manager Scott Olson, Public Works Superintendent Scott Burlingame, Police Chief Terry Eilers, Treasurer Angela Brumbaugh, Planner Dan Walker, and Clerk Margie Vik. Others Present: Ulteig Engineer Brian Hiles, David Collins, Alan Zemek, and Anna Erickson from the Enterprise

3. APPROVAL OF AGENDA: A motion was made by Utke, seconded by Konshok, and unanimously carried to approve the agenda as presented.

4. APPROVAL OF MINUTES:

4.1. City Council Workshop Minutes-January 22, 2013: A motion was made by Nordberg, seconded by Konshok, and unanimously carried to approve the January 22nd, 2013 City Council Workshop minutes as presented.

4.2. City Council Regular Meeting Minutes-January 22, 2013: A motion was made by Konshok, seconded by Utke, and unanimously carried to approve the January 22nd, 2013 City Council Regular Meeting minutes as presented.

5. FINANCE:

5.1. Payables & Prepaids: A motion was made by Konshok, seconded by Nordberg, and unanimously carried to approve the payables in the amount of \$53,831.14, and the prepaids in the amount of \$673,397.60, for a total of \$727,228.74.

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

- 6.1. **Approve Plumber's Permits to Work in the City of Park Rapids in 2013 for Culligan Soft Water and Kiffmeyer Plumbing Inc.**
- 6.2. **Approve Backhoe Operator's Licenses to Work in the City of Park Rapids in 2013 for Dennis & Girtz Excavating.**
- 6.3. **Resolution #2013-29 Approve the Renewal of an Off-Sale Beer License for Cenex C Store, Orton's Park Rapids, Orton's Park Rapids-East, Hugo's #11, Wal-Mart Supercenter #4244, Holiday Stationstore #26, Casey's General Store #2192, in the City of Park Rapids.**
- 6.4. **Resolution #2013-30 Approve the Renewal of an On-Sale 3.2 Beer License for Pizza Hut in the City of Park Rapids.**
- 6.5. **Resolution #2013-31 Approving the Renewal of Liquor License for A Better Place in the City of Park Rapids.**
- 6.6. **Resolution #2013-32 Approving a Wine and Strong Beer License for Necce's Italiano Ristorante in the City of Park Rapids.**
- 6.7. **Approve Purchase Order in the Amount of \$3,995.33 to Park Rapids Ford for Emergency Repairs to Public Works Parks Department Unit #8 Injection Pump.**
- 6.8. **Resolution #2013-33 Approving Ordinance No. 541 Amending the Park Rapids City Code of Ordinances; Chapter 38: Employment Background Checks.**
- 6.9. **Ordinance No. 541 Amending the Park Rapids City Code of Ordinances; Chapter 38: Employment Background Checks.**
- 6.10. **Resolution #2013-34 Re-Appointing Donald Walsh to Serve on the Housing & Redevelopment Authority of the City of Park Rapids.**
- 6.11. **Resolution #2013-35 Appointing Carl Sundquist to Serve on the Housing & Redevelopment Authority of the City of Park Rapids.**
- 6.12. **Resolution #2013-36 Approving a Leave of Absence for Full Time Park Rapids Police Officer Carrie Parks.**
- 6.13. **Approve Pay Request in the Amount of \$2,303.20 to Prairie Lakes Coop for Chemical/Ice Removal at the Park Rapids Municipal Airport.**

- 6.14. Approve Pay Request in the Amount of \$10,855.20 to Hubbard County Highway Department for the Construction Portion of the Main Avenue Project.**
- 6.15. Approve Pay Request in the Amount of \$1,450.00 to Minnesota Pollution Control Agency for the Annual Permit Fee Pertaining to the Wastewater Treatment Facility.**
- 6.16. Approve Pay Request in the Amount of \$5,302.00 to Coalition of Greater Minnesota Cities for the 2013 Membership Dues.**
- 6.17. Approve Pay Request in the Amount of \$2,615.50 to Banyon Data Systems for Software Support for Payroll, Utility Billing, Fund Accounting, and Fixed Assets.**
- 6.18. Approve Pay Request in the Amount of \$18,216.73 to Ulteig Engineers for Professional Services Associated with the Water Treatment Facility and the Riverside Project-Phase One.**
- 6.19. Approve Pay Request in the Amount of \$22,532.42 to TKDA for Architect Fees Regarding the Runway 18-36 Design.**
- 6.20. Approve Ordering Parts in the Amount of \$2,988.13 from RDO Equipment for Moldboard Repairs for the 770 Grader.**
- 6.21. Approve Pay Request in the Amount of \$5,000.00 to Briggs & Morgan for Professional Service Associated with the Modification of TIF 1-9 for SDG Properties.**
- 6.22. Approve Pay Request in the Amount of \$5,000.00 to David Drown Associates for Economic Consulting Services Associated with the Modification of TIF 1-9 for SDG Properties.**
- 6.23. Resolution #2013-37 Authorizing Proper City Officials to Execute the Agreement for Consulting Services by and between Hildi Inc and the City of Park Rapids.**
- 6.24. Approve Pay Request in the Amount of \$11,101.83 to HRDC, Sathre Title and Abstract, NW MN Multi-County HRA, and Mid-Sota Builders for Services Associated with the Small Cities Development Program Grant.**

- 6.25. Resolution #2013-38 Calling for Public Hearing for the 2013 to 2017 Capital Improvement Plan for City Projects and Equipment for the City of Park Rapids.**

END OF CONSENT AGENDA

7. COMMENTS FROM CITIZENS: There were no comments.

8. GENERAL BUSINESS:

8.1. Proposed Council Action Recommendation for TIF Districts-Traci

Ryan: McKinney stated these items, A through C, have all been addressed in Ryan's presentation to the Council at your last meeting. We are doing the implementation of them by official Council action. Item A is establishing the appropriate procedures for the extra money that we got from the county, getting it back to the proper place and approving the loan, which is how we get it back into the TIF fund. Item B is SDG's increase of \$25,000.00 as you approved in concept last time. Item C is the modification of TIF district 1-9. As you'll recall she told you there was an advantage to the city to define the properties that are included in the district. Ryan prepared these documents for your consideration. A to C came out of her presentation at the workshop last week.

McKinney stated Item D is establishing a new TIF district by holding a hearing. We will get a presentation on that in a minute. She is recommending that. It also was not part of her presentation at the last meeting. Item E is also new.

A. Resolution Approving the Utilization of Interfund Loan for Tax Increment Financing District No. 1-9: A motion was made by Konshok, seconded by Nordberg, and unanimously carried to approve Resolution #2013-39 Approving the Utilization of Interfund Loan for Tax Increment Financing District No. 1-9.

B. Resolution Authorizing Execution of an Amendment to Development Agreement by and between SDG Properties II LLC and the City of Park Rapids: A motion was made by Nordberg, seconded by Utke, and unanimously carried to approve Resolution #2013-40 Authorizing Execution of an Amendment to Development Agreement by and between SDG Properties II LLC and the City of Park Rapids.

C. Resolution Calling Public Hearing on Modification #2 of Tax Increment Financing District No.1-9 and the Adoption of Modified Tax Increment Financing Plan Relating Thereto: A motion was made by Utke, seconded by Randall, and unanimously carried to approve Resolution #2013-41 Calling Public Hearing on Modification #2 of Tax Increment Financing District No.1-9 and the Adoption of Modified Tax Increment Financing Plan Relating Thereto.

D. Resolution Calling Public Hearing on the Creation of Tax Increment Financing District No.1-11 and the Adoption of Tax Increment Financing Plan Relating Thereto: McKinney stated this is to set the date for a hearing on the creation of a new TIF district.

Dave Collins, executive director of the Hubbard County Regional Economic Development Commission, stated Kuepers Construction from Baxter, Minnesota, is going to give a presentation on a project that he is proposing to do in Park Rapids. He'd like to start construction to keep things moving in April. He's proposing a twenty-nine unit apartment complex, with market rate units, even though TIF law requires there be some set aside for lower to moderate income units. He's looking at a location between Main Avenue and Pleasant Avenue. It's a two and a half acre site, south of Eleventh Street. To make this project feasible we are proposing to make a TIF district. He will get into the detail on that. The majority of these units will be market rate. It's been a long time since we've had a market rate complex built in Park Rapids. The downside is it's a little hard for him to get a market study with rent comparables. This is considered quite a risk in this market. There are other markets in northern Minnesota in that what can they charge for rates and keep occupancy where it needs to be. That's another reason why TIF becomes so important.

Steve Kuepers stated I was approached by Tim Flathers two years ago. He asked if I would consider Park Rapids and Hal Clap from Greater Minnesota Housing Fund asked me to look at it. We were in the process of doing a couple of tax credit applications, one in Bemidji and one in Grand Rapids. We're centered in the Brainerd/Baxter area. We did a quasi-market rate project in Grand Rapids called Lake Wood Apartments. It's very close to the brand new Itasca Grand Hospital that they did. We gave up on waiting for Minnesota Housing Finance Agency to come through for Greater Minnesota. We did a twenty-nine unit apartment building with pay as you go TIF assistance, with a TIF note. Then we went on and got conventional financing. It worked really well. We're in the process of doing one in Bemidji right now. We worked with the Beltrami HRA on a site they offered. The natural progression was to finally come down here to Park Rapids and start looking for a site. We looked at this site, owned by Kathy Grell, a couple of years ago. We still like it. It's close to employment, the hospital, and your north-south main drag. I don't know everything about Park Rapids.

Kuepers stated I don't have a fancy name for the apartment yet. I haven't gotten that far yet. It's a twenty-nine unit apartment. It has a common laundry, storage, community room, and on-site management office. We manage all of our own projects with a management company. It will have one and two bedroom units and detached garages. We plan on having a playground and a picnic area outside. There are laundry rooms on each level. We pay for the heat, water, and sewer. The tenants pay for electric, phone, and cable. Regarding the site plan, Main Avenue is going to be on the back side, so the ingress and egress will be to the west, onto Pleasant Avenue. This project has been refined over the years. We've had really good success with it in northern Minnesota. It's a nice balance of amenities and size along with what we can charge for rental rates versus the costs of development.

Kuepers stated the project financing numbers presented are rough at this point. We're thinking it's going to be around \$2,465,000.00 for the total project costs. That's hard

construction, the land, and the soft costs. We've got up to \$1,965,000.00 on a first mortgage. That's private money. That includes a TIF amount of \$21,456.00. We've been playing around with the tax calculations. The city assessor has looked at it and that's what we've come up with as an annual pay as you go amount. The supportable without the TIF note drops down to \$1,725,000.00, so we end up with a \$235,000.00 gap in funding, depending on the numbers it can go as high as \$250,000.00.

Kuepers stated the project will meet or exceed the legislative intent for TIF. It's pay as you go. It creates housing, and employment during the construction. TIF is necessary to make the project financially feasible. We're still trying to figure out rental rates. We have a market study being worked on to figure out what the rental rates are here. Much of the housing in this town is tied to either Section 42 tax credit, Section 8 Housing, or HUD Programs. If we can find a rate that works and we're comfortable with, it should be successful just because there are limited options for people that don't qualify for the lower income projects in town. There are two options for the TIF project. We can do 40% of the units at 60% of the median income, or we can go 20% of the units at 50% of the median income. We like to go with the 20/50 model. That allows us to take six of the units and restrict them to 50% of the county median income. By household size that's the current median income cut offs based on latest reports. It ranges from \$21,600.00 to \$30,850.00.

Kuepers stated we're saying \$560.00 a month for a one bedroom and \$675.00 a month for a two bedroom for the TIF units. Then market rate would be \$675.00 a month for the one bedroom and \$775.00 a month for the two bedrooms. We don't know for sure yet, but these rates are close. What those TIF units do by paying \$100.00 less is tighten up that risk factor with the occupancy. If 20% of that project has a guarantee that it's going to rent out because of the lower rates, you take that 10% to 15% vacancy risk and mitigate it to a large degree when we're looking at the overall financing. It's not a slam dunk by any stretch. Some of the banks with conventional financing have an issue with the TIF note, but we'll work around it especially with smaller, rural communities.

Kuepers stated I've provided a biography of Prairie Lakes Management, including the different projects that we've done. I've provided pictures of what the finished project will look like. We're optimistic about Park Rapids and the potential for it or we wouldn't have come in and taken it to this level. We have the property under a purchase agreement contingent on the financing being worked out. We look at the TIF financing as being one of the bigger components that we need to offset the question mark.

Nordberg questioned what kind of occupancy do you have in Grand Rapids? Kuepers stated Grand Rapids is at 100%. That was a town that reminds me of Park Rapids from the standpoint of there's a lot of tax deals and Section 8 stuff. They have a project in that town similar to the Summerfield Place that's here, where you have a nicer apartment building with some higher rents, but it was really hard to tell if there was a demand for it or not. When we opened that project it beat our expectations. It made life a lot easier moving forward. The TIF deal was huge. That pretty much got people in the door. If it could have worked in such a way where a person could have done all the units at the TIF rates we could have filled ten times over. We had people lined up at the door looking for them. There was a case that the town was starving for multi-family because it hadn't been done in a long time. Do I think Park Rapids is that way? No, because Grand Rapids is twice the size of Park Rapids. Do I think there is a potential, a demand? Yes.

Kuepers stated we don't come into every single community looking for TIF. In fact, the one in Baxter, Minnesota, did not have TIF. The one we're doing now in Bemidji does not have TIF, and we didn't even ask for it. We did negotiate some things with fees, but as a financing tool, we did not use it in some of the bigger cities. You shouldn't have to use it in the bigger communities, because you don't really need it. But with a population of 6,000 or less it's really hard to say whether or not you don't, especially for a project this size with twenty-nine units.

Nordberg questioned the plan is to do it all at once, not in separate halves? Kuepers stated it's all one, because of the building's systems. If it's successful, ideally what we like to have is groups of two or three. Park Rapids would be a group of two buildings. But we can't say how long it would take to get there. There've been projects in the past done in this town, like Park Place Townhomes in 1998, where they did a phase and bought five acres of land to expand, and they never did the second expansion. There's a case where they did tax credit financing with FHA, that's gotten to the point where it's impossible to get for rural communities.

Randall questioned is the newer apartment building on Eastern Avenue, called Prairie Wind, at full occupancy? Kuepers stated I honestly don't know. I'm trying to find out. Randall stated that's a market rate apartment building. Collins stated it's usually full. Our EDC is paying for a market analysis on this project specific and for our target market, and we're hoping that Hubbard County HRA will help share that cost. That study is currently being done right now.

Collins stated Steve Kuepers comes very highly recommended. Tim Flathers has talked about Kuepers for some time. We finally got him down here. We're asking that you approve the agenda item and set the hearing, and authorize Traci Ryan to work on the TIF documents. There will be a thirty day period that we have to wait on the county, and then bring back the development agreement at your March 26th meeting.

Randall questioned will there be more information at that meeting what those occupancy rates are? Collins stated we should have the study back by that time. Kuepers stated I wanted it for this meeting, but it was delayed bit. The city ordered a pretty comprehensive housing study back in 2008 by Community Partners. The only project that's not in that report is the Prairie Wind Apartments. From the updating that I'm getting now is that they have been fairly flat. The lower end in town is about \$350.00, starting to top out at, for two bedrooms, in the low \$700.00's to \$835.00. The one bedrooms are \$535.00 to \$665.00 per month. Summerfield does garages with a separate rental rate. Overall, regarding occupancy rates, out of the eight that we surveyed all of the tax credit ones were claiming that they had a waiting list. A couple of the other ones were saying zero vacancy. Summerfield is saying seven. If you take it against the overall vacancy in town right now, it's looking like about 3% or less. The demand appears to be there.

Kuepers stated then we have a demographic analysis where you look at incomes. If you take the proposed rental rates and you back into 35% that gets spent on household and backing into rental rates off the income levels and you look at breakdowns for Park Rapids on incomes, right now the market study guys are saying there's over one hundred and twenty-nine households that are possible candidates to move into a project like this in Park Rapids.

Kuepers stated one of the things they are also looking at is what kind of community do you have going on. How many people are coming into town that you are not holding in town because there is no place to live. If Prairie Wind with eight units is sitting full, especially with the employment in town, and you're starting to pull people from Detroit Lakes and Perham, and there's just not a lot of options for them. If you are coming to town and you make over the income restrictions we're proposing for the TIF units, you're looking at market rates. As long as you have good credit and can make the rent payments, you're in. That gets tougher in town that's my two cents as an outsider looking in.

Collins stated we can provide that housing study that was done. McKinney stated Ryan will be working on a proposed development agreement. She's also working on some of the aspects of this, like zoning and platting requirements. There are a lot of things going on in this period of time. Mikesch stated it's going to be a nice project. It will open up that corridor to the new dialysis center. It will tie everything together there. There's a lot of land there that's not being used.

A motion was made by Utke, seconded by Nordberg, and unanimously carried to approve Resolution #2012-42 Calling Public Hearing on the Creation of Tax Increment Financing District No.1-11 and the Adoption of Tax Increment Financing Plan Relating Thereto.

E. Authorization for David Drown Associates to Work on the Modification of TIF 1-9 and the Creation of TIF 1-11: McKinney stated this is the authorization for Traci Ryan to work on these issues. Staff is recommending approving this. Collins stated we'll require Kuepers to make a \$10,000.00 escrow payment to the city which you will hold. That \$10,000.00 goes against the cost of hiring David Drown and Associates on this project. If there's money leftover it's refunded. If money is needed in excess of that we will bill for it. The last TIF for the dialysis center, we estimated \$10,000.00, and the total came in at \$10,000.00. We hope this will be at that number or less. The \$10,000.00 amount is consistent with city policies.

A motion was made by Randall, seconded by Utke, and unanimously carried to authorize David Drown Associates to work on the modification of TIF 1-9 and the creation of TIF 1-11.

8.2. Partial Satisfaction of Mortgage for the Armory Square Project: Alan Zemek, representing Armory Square Corporation, stated we have closed the chapter on the project at the armory for redevelopment of the annex building, and rehabilitation of the whole site. We have concluded our obligations under the developer's agreement, our obligations to MMCDC for the jobs creation component for our financing. We have two market rate commercial tenants, Summerhill on Second and Vallartas Mexican Grill operating in the site of the former annex, which was the addition to the original armory back in 1922.

Zemek stated looking ahead to the next phase of development consistent with the feasibility study that was commissioned by David Collin's office, the recommended approach was to spin off the auditorium side of the two building complex into a non-profit, or potentially public entity. In order to separate the commercial uses of the building from the non-profit uses of the building, and to facilitate the entry of USDA-Rural Development

Financing into the project, that was the approach recommended in the study, and that's the approach that we're continuing to explore with USDA. That requires a re-shuffling of the deck in terms of existing lienholder priority. The existing financing that we have covers both buildings in one blanket mortgage. If we're successful in our application to USDA, the two buildings will be separated in ownership. The auditorium side will be placed into a 5013C non-profit, tax-exempt corporation. That makes it eligible for USDA community facility financing. USDA money requires them to be last in, and first in line. When that money comes in we would take part of those proceeds and pay the existing first place lienholder, repay one of the loans that we have with EDA, and then the remaining loans would move up in priority in on annex side, but would be released on the auditorium side in order to allow the USDA financing to come into the first lienholder on that side of the project. A project like this is like making lasagna, its one financing layer at a time.

Zemek stated the request before you is not the actual release of the mortgage, but it's to demonstrate your intent with USDA in the form of a letter that says you've evaluated the financing and you'd be willing to release the auditorium building such that USDA is confident that they can proceed with their financing that they are going to end up in first place. Your business analyst, Tiffany Fettig with HRDC, has looked at and evaluated it, and I believe she is recommending that you endorse that request.

McKinney stated we requested a report from Fettig. She recommends that this is a positive thing from our standpoint, regardless if this is a positive thing for Zemek's development. Our position would move up. Zemek stated you're currently in a shared third position, with two mortgages. You'd end up in higher priority, and one of your two loans gets paid back. Last fall in the second round of financing we obtained from the EDA, the Council placed on that if and when it occurred that USDA comes into the project, one of those conditions was, if that happens, then you'd be repaid on that loan. This would allow that to happen. We may not be successful with USDA. As of today, there's too many dollars left in the appropriation for Minnesota, and the clock is ticking. They expect that it will all be gone or funded by March and without a continuing resolution, or a possible impasse, they may not even be answering the phones in March or April. We're not here to guarantee that this will happen, but we'd like to be prepared with our documentation in case USDA moves forward.

McKinney stated if this were to go through our mortgage collateral would be on the only part of the building that is making money right now. Zemek stated yes. Utke stated that's why Fettig said this is a good deal. Zemek stated you'd end up with half of your money back and in a better position on the only part of the building that is making any money.

McKinney questioned you're asking the Council to indicate its willingness to do this? Zemek stated you can do it, but there's really no reason that you should. In the absence of USDA money, you shouldn't. Basically I'm asking for a letter stating you will release a partial satisfaction of mortgage. It's a letter of intent. McKinney stated Fettig's report says that the Council approves a partial release of the mortgage contingent on USDA's formal request and sale of the auditorium building. She's suggesting that the Council approve it tonight, subject to the receipt of USDA money. Then you wouldn't have to come back.

Nordberg questioned are the two City of Park Rapids loans that are listed two separate loans or one loan divided into two chunks. Zemek stated those are two separate

loans. One gets repaid and the other one moves up from third place to second place because the first mortgage gets taken out as part of the refinancing. Three loans get paid off and the rest move up higher.

Nordberg questioned the USDA is a loan on the other part of the building? Zemek answered yes. That's new money into the project, which would become the community facility side of the project. Nordberg questioned and that is or is not associated with the bond request? Zemek stated it is not associated with the bond request, although at some point down the road it could potentially be used as evidence of a match if there's USDA financing in place and whatever entity assumes that, the fact that the financing is there might reduce the amount of a local match if they can assume that financing.

Zemek stated wherever we land with this project, we're attempting to land on a sustainable foundation. Where we are now is the commercial side of the project is up and running. Both tenants are paying their rent and doing fine. If we stop right here and park it for a while and allow it to meet its debt obligations as they exist.

Zemek stated the next phase of the project would be to try to develop some utilization out of the auditorium, which may or may not include an arts center or theatre. It could be more utilitarian uses similar to what might happen with the GFO or a place to have wedding receptions and banquets, or some kind of light performance use. If we could get USDA financing that could be another stopping point. We could have the auditorium functioning as a community facility, it just would not have all the bells and whistles that you would want if you were doing a full opera with sounds, lights, staging, and rigging. The USDA financing is not contingent upon the other. These are discrete phases of development. If the bonding project is successful that could be built on top of what's already there. But if the bonding never happened and USDA financing did we could still end up with something more useful than it is now. Basically we have a shell, lights, exit signs, and handrails. It's functional but it's chilly in there. But the next round of investment would be weatherization, a new roof, HBAC, and then at least we would have a year round facility.

Nordberg questioned the USDA money pays off some loans, separates the two parts of the building, the annex and the auditorium, but it doesn't do any construction on the auditorium? It just makes it available as a non-profit organization. Zemek stated it makes it much more palatable, easier for other arts organizations to participate in the project. It makes it easier to attract foundation grants and patron support. I would be happy to take donations but I don't think anybody is going to fund my retirement account. It's going to have to be put into a non-profit or some form of charitable purpose where people who support it see their dollars spent the way they would like.

Nordberg questioned the ownership of the building is like a lease? Who owns it? Zemek stated the ownership would pass to a non-profit corporation called Park Rapids Community Development Corporation. PRCDC is a 501C3 corporation. It has proper tax-exempt status with the IRS. There's three phases of review with a USDA project. They look at whether you are an eligible entity. They have looked at PRCDC and said yes, this form of ownership is acceptable as a community facility ownership model. The next phase of analysis is, is the project eligible. The auditorium in the context that we're looking at is basically a community center building. They consider that a community facility project and they have said yes this is an eligible project. The third stage of analysis is what are the

operating model and your business model that says you can cash flow this loan and USDA gets paid back. That's the part we are at now. They've already approved the ownership, the project, and now we're down to if we fund you how are you going to make it work.

Zemek stated USDA is a lender. Like most banks they don't want to hear from you except when you send in your mortgage check. The attractiveness of USDA financing is for the kind of uses we see viable there. The USDA and Rural Development loan program gives you forty year money at 3.3%. That is a significantly easier hurdle to get over. Commercially, it would be twenty year money at 6%. It takes the monthly mortgage payment down significantly, because when you'd working through that community facility financing program, which makes it much more likely that we're going to be successful in attracting users like the Art Center, Northern Lights Opera Company, or the Heartland Concert Association.

Nordberg questioned so PRCDC actually owns the building? Zemek stated that would be a result of this process. Nordberg questioned and the land under it? Zemek stated yes. There are actually two different legal descriptions there. The original armory was built in 1922. The annex was added on to it in 1941, and they are separate plots.

McKinney stated the request is best stated as an agreement of the Council to accept a partial release position, subject to the EDA Program, rather than a resolution saying we simply have no problem with it.

A motion was made by Nordberg, seconded by Randall, and unanimously carried to approve a partial release of the armory's mortgage, contingent upon USDA's formal request and sale of the auditorium building to the Park Rapids Community Development Corporation, as recommended by Tiffany Fettig-Headwaters Regional Development Commission Business Loan Specialist.

8.3. Request to Waive Sewer/Water Late Fee for 1103 First Avenue

East: McKinney stated staff's recommendation is that the request be denied. The request is for waiver of the \$24.87 late fee on the water bill on the basis that they really weren't that late. Our records indicate that if we follow our standard procedure you would not waive the late fee. **A motion was made by Randall, seconded by Konshok, and unanimously carried to deny the request to waive the sewer/water late fee for Shopko at 1103 First Avenue East, PID #32.24.05600.**

Discussion: Utke questioned is there any reason why there's still water service there? They could disconnect it. Burlingame stated yes they could shut it off and go inactive. I don't know why. Utke questioned is that something that we can offer to them? Brumbaugh stated we don't usually offer that. Burlingame stated there's been some activity there. But it's not really any of our business. If they so request it, we'll shut it off. Utke stated as long as they want it that's fine, but the building's been vacant for a long time. Nordberg stated a big majority of this bill is the storm water fee, probably because of the parking lot.

9. CITY ADMINISTRATOR UPDATE: McKinney stated it's been a very busy time. I'd like to acknowledge the work that Brumbaugh's put into the CIP. It's the kind of thing

that we would do earlier next year in the cycle. So we're playing a little catch up. I appreciate the work that Scott Burlingame's crew do playing in the snow. Thank you.

10. DEPARTMENT HEAD UPDATES: There were no comments.

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

12. COMMENTS FROM COUNCIL: Konshok stated I would echo the comments on the great job the public works department does moving the snow. They make it look easy but I know it's not.

Nordberg stated we received a report on the liquor store. It was very helpful information. You're doing a good job, which I appreciate.

Nordberg stated the Arts and Culture Advisory Commission had been asked to give advice to the library on a grant proposal they were making to Kitchigami. This was for legacy money channeled through the Minnesota Department of Education to regional libraries. After considerable work by the library to prepare a request for proposals by artists for the \$10,000.00 grant, the department of education changed their guidelines. Kitchigami rescinded the offer just before the request for proposals had been mailed out. This is now mute, but if the requests had gone out and artists had actually made proposals, we would have had some angry artists because there would have been a lot of work required.

Nordberg stated on February 1st and 2nd I went to a training session for new Councilmembers. I learned that I have a lot fewer rights now than I did before I was on the Council. The presenter said that over the years after hearing this presentation, Councilmembers go home and resign. I'm not ready to resign, but nobody's offered me coffee and desert either, which was one of the reasons to resign.

Nordberg stated on Wednesday I had a box lunch with my new BFF Governor Mark Dayton who talked about Local Government Aid (LGA) and his proposal. There was a very good article in the Enterprise about LGA. Under his simplified proposal Park Rapids would benefit by about \$100,000.00 in 2014 and a little more by 2018 where a bunch of adjustments take place. Since this is 15% to 20% of our general operating budget, it's worth paying attention to. It's unlikely that the governor's proposal will be accepted as it now exists because by 2018 more rural Minnesota cities lose money than gain money. Most of the money goes to Minneapolis and St. Paul, which was not the intent. Since Rod Skoe is in charge of the tax committee defending rural Minnesota, there are likely to be some changes. But, I think it is a good idea to change the present formula so this would give us some more money.

Nordberg stated later in the day on Wednesday I met individually with Senator Skoe, Representative Steve Green, and Representative Roger Erickson. Senator Skoe is the one that introduced the bonding measure for the Upper Mississippi Center for the Arts. Representative Green repeated that he does not intend to support any bonding issues now because he sees them all as tax increases, not an investment. He's not on board with that. It was introduced in the house by John Purcell from Bemidji as a regional proposal, and

again it may not happen this year. Roger Erickson was in favor of it. I was supporting economic development for Park Rapids and LGA and the Upper Mississippi Center of the Arts. There are some training programs that are being purposed for employee training and investor incentives that could be useful for our economic development.

Mikesh stated I'd like to thank Burlingame too and to remind the citizens out there that we don't usually get fourteen inches of snow. It takes time to clean everything. They're out there doing their job and it takes time. I met with Cliff Tweedale last week. I accepted a position that Nancy Carroll held with the Headwater Regional Development Commission. It's new ground for me. Hopefully I can bring some new ideas to them too.

Utke stated hopefully we'll have a month of tourism coming to town now to enjoy our snow and trails. The community will benefit from all the money we had to spend to move all this white stuff. We haven't looked at snow piles like this for many years.

McKinney questioned is there a relationship already established by precedence between the Council and the Library Board on the library building and fundraising, design and construction? This has been going on without any contact from us. Is that the way it should be or should we get involved in that? Nordberg stated I'm on the Library Board and I was very surprised to read in the paper that they were looking for a new building when I had just been to a Library Board meeting and nothing was mentioned. Konshok stated it's actually the Friends of the Library that are doing that. That's an item that you might want to clarify with them. The library organizations should be speaking with one voice. McKinney questioned am I supposed to be working with them because we haven't been? Also, in the future we might want to talk about some joint considerations. Nordberg stated this has been discussed for years, off hand, and anonymously, about a civic community building, something with a library, a city hall. These things float around, but nothing formal.

13. ADJOURNMENT: A motion was made by Konshok, seconded by Utke, and unanimously carried to adjourn the meeting at 7:10 p.m.

[seal]

Mayor Pat Mikesh

ATTEST:

Margie M. Vik
City Clerk