

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

1. CALL TO ORDER: The March 12th, 2013 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 Dave Konshok, Rod Nordberg, Erika Randall. Absent: Councilmember Paul Utke. Staff Present: Administrator John McKinney, Treasurer Angela Brumbaugh, Public Works Superintendent Scott Burlingame, Liquor Store Manager Scott Olson, Public Works Employees Chris Fieldsend and Tim Little, Planner Dan Walker, Police Chief Terry Eilers, and Clerk Margie Vik. Others Present: Gregg Malm, David Collins, Traci Ryan, and Anna Erickson from the Park Rapids Enterprise.

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

4. PUBLIC HEARING AT 6:00 PM:

4.1. Presentation of the Capital Improvement Plan for the City of Park Rapids: A motion was made by Nordberg, seconded by Randall, and unanimously carried to open the public hearing at 6:01 p.m.

McKinney stated this is the public hearing on the Capital Improvement Plan (CIP) that was presented to the Council approximately one month ago. Notice of the meeting has been published in the newspaper. In the course of the thirty days we have received some suggestions, which are referred to as Option B. Option A is the one that was presented a month ago. There's very little deference in the projects, and the cost difference is \$75,000.00. The basic difference is the scheduling of the construction contracts. We typically would have done the CIP in the fall. When adopted we could start with engineering design and letting the contracts early in the spring. That did not happen this year. We got some suggestions from Councilmembers and also we talked to the engineers. It seems prudent that some of the projects, for example the Riverside Project, be delayed one year in terms of when we do it to get it in the proper sync. Option B reflects that rescheduling. Brumbaugh will give a presentation.

Brumbaugh stated we do a CIP every year. It's a tool that we use for planning and financing of our large construction projects and equipment purchases. It provides the Mayor, Council, staff, and citizens with a listing of projects for the next five to six years. It's not cast in stone. If something is on the CIP that doesn't mean that it's going to happen in

the year it's listed. It gives us an idea for planning into the future. It's not a legal commitment, and it does not obligate the Council.

Brumbaugh stated every year the departments and the Councilmembers look at it and submit things that they would like to see on the CIP. We prepare cost estimates based on what is wanted and what the projects are. A draft was prepared for the Council's review, which happened two meetings ago. We're now at the point of the public hearing so the citizens can look at it and comment on it. If the Council approves of it they can adopt the plan.

Brumbaugh stated Option A and Option B have only a \$75,000.00 difference. The price difference is in the street portion. The CIP covers a five year period, 2013 to 2017. The total is just under \$21 million. The equipment portion is 19%, and the construction portion is 81% of that total. Another part of the CIP is the use of liquor reserves. In three years' time, we're looking at using \$1 million from the liquor reserves. The highest is next year when we have a couple of large airport projects planned. The cost of the construction projects is \$9.6 million in the next five years.

Brumbaugh stated in 2013 our largest project is the water treatment facility. We budgeted for \$2.4 million. We're looking at purchasing a JetVac for \$395,000.00 that will come from sewer funds. The largest project is the airport taxiway for \$5 million. 90% of the funds for that will come from a federal grant.

Brumbaugh stated in 2014 we're looking at the Riverside Project-Phase One at \$1.1 million. We will also take care of a shortage of \$372,000.00 for the Highway 34 Project. The total for 2014 is \$1.7 million. In 2015 we have scheduled the Todd III Annexation Area Project, Riverside Area-Phase II, and the North Main Avenue Project. The total for 2015 is \$3.5 million. In 2016 our largest expenditure is for the Northwest Area-Phase One at \$1.5 million. The total for 2016 is \$2.3 million. In year five, 2017, we have the Fair Avenue and Fifth Street Reconstruction Project, and Discovery Circle. The total is \$4.8 million.

Brumbaugh stated it's too late to do a project in 2013, so that's why all of the projects were moved back one year in Option B, and also to try to control the amount of each year's tax levy. The funding for the projects and purchases come from different sources. Any project will be considered for special assessments and a tax levy. Some expenses are taken out of liquor reserves. If it's for the water/sewer department it will come out of those funds. We also look at the effect these projects will have on our debt levy so that it doesn't have huge spikes. If we did the projects based on Option A the levy would spike in 2015. With Option B we've reduced the levy by \$120,000.00.

Questions/Comments:

Mikesh requested questions from the Council. Konshok and Randall had no comments.

Nordberg questioned on the "Effect to the Debt Levy" that only includes the assessable bonding issues, and not the things coming out of liquor reserves? Brumbaugh stated correct. This graph is just showing the tax levy for construction projects, but not the assessment portion. McKinney stated it also does not show the revenue funded items. The levy mainly covers the bonding.

Mikesh requested comments from the audience. There were none.

A motion was made by Randall, seconded by Konshok, and unanimously carried to close the public hearing at 6:12 p.m.

A. Resolution Adopting the 2013 to 2017 Capital Improvement Plan for the City of Park Rapids: A motion was made by Konshok, seconded by Randall, and unanimously carried to approve Resolution #2012-50 Adopting the 2013 to 2017 Capital Improvement Plan for the City of Park Rapids, using Option B as was presented.

5. APPROVAL OF MINUTES:

5.1. City Council Regular Meeting Minutes-February 26, 2013: A motion was made by Randall, seconded by Nordberg, and unanimously carried to approve the February 26th, 2013 City Council Regular Meeting minutes as presented.

6. FINANCE:

6.1. Payables & Prepaids: A motion was made by Konshok, seconded by Nordberg, and unanimously carried to approve the payables in the amount of \$62,780.28, and the prepaids in the amount of \$77,054.44, for a total of \$139,834.72.

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

- 7.1. Resolution #2013-51 Authorizing Proper City Officials to Execute the Second Addendum to the Independent Contractor Agreement by and between John F. McKinney Jr. and the City of Park Rapids.
- 7.2. Resolution #2013-52 Application to Minnesota Public Facilities Authority Drinking Water Revolving Fund for the Water Supply and Treatment Improvement Project for the City of Park Rapids.
- 7.3. Resolution #2013-53 Authorizing Proper City Officials to Execute the Master Professional Services Agreement by and between Uteig Engineers Inc. and the City of Park Rapids.
- 7.4. Resolution #2013-54 Approving a Wage Adjustment and Step Increase for Full Time Public Works Mechanic Fran Hauber.
- 7.5. Approve Plumber's Permit to Work in the City of Park Rapids in 2013 for Anderson Plumbing & Heating.

- 7.6. **Approve Pay Request in the Amount of \$9,651.00 to HRDC, Herzog Construction, and Krotzer Construction for Professional Services Associated with the Small Cities Development Program Grant.**
- 7.7. **Approve Purchase Orders in the Amount of \$1,948.18 to MacQueen Equipment for Replacement Parts for the Street Sweeper, \$2,923.08 to RDO Equipment for Repairs for the 770h Blade, and \$711.04 to Boyer Truck for Parts for the 1999 Plow Truck.**
- 7.8. **Approve Hiring Ulteig Engineers in the Amount of (approximately) \$1,500.00 to \$2,000.00 to do a Utilities Rate Study.**
- 7.9. **Resolution #2013-55 Authorizing Proper City Officials to Execute AIS Inspection Agreement By and Between the Hubbard County Soil and Water Conservation District and the City of Park Rapids.**

END OF CONSENT AGENDA

8. COMMENTS FROM CITIZENS: There were no comments.

9. GENERAL BUSINESS:

9.1. Proposed Sale to Jim Anstine of City Owned Property, Lot Three, Block Four, Industrial Park First Addition: McKinney stated the city received a request from Mr. Anstine about the purchase of one lot out of three that are located adjacent to the city's Industrial Park. The problem is the plat shows lots one, two, and three, because in a prior period of time that was platted as three separate lots. As part of a project subsequent to that the platting was not retained so there's really a large lot there now. Anstine is offering to purchase what was lot three, but that will have to be determined by a survey. His offer to purchase, in the amount of \$5,000.00, is based on his understanding that he'll have to take care of the cost of that. That price is consistent with one-third of the taxable value on record. We've checked with the Airport Commission. There's no conflict with their use of the airport. The lot does not actually touch the airport grounds. Staff recommends accepting the offer.

Burlingame stated we discussed something needs to be added in here. It could potentially be a large thing in the future. Part of this is providing access, which is building a road to city specifications. That's different than just putting a trail in. I think that should be noted as part of this process that it currently does not have access so it needs to be built to the property. If he buys the property and never really develops a road, he sells the property, and then we're stuck building a road at the expense of the city taxpayers. That has happened to the city in the past.

McKinney stated at this point the property Anstine wants to buy abuts his property. He can have access to it through his land. If he decides to develop it he would have to deal with the city on access and we can make it part of the transaction. Any access would have to meet city specifications. Actually he doesn't own any land to do that except his own. We're protected.

Nordberg stated in terms of the cost, Burlingame has a point. There needs to be some contingency on a sale to the next owner that the city can collect for access that might be needed. Mikesh stated we could add that in. McKinney stated we can make that clear to him as part of the agreement.

Burlingame stated he has it in his offer. I wanted to make a note that it could be an issue down the road. McKinney stated we will clarify the situation before we conclude it. Nordberg stated his letter says he will furnish his own access. Do you see anything beyond that? Burlingame answered no. Nordberg stated he can do it over his own property but another owner would need a city street. Burlingame stated it should be a condition of sale. McKinney stated a third party will need access unless they go through his property.

Walker stated we requested he combine his lot with this one so that he would have to go through the process if he wanted to split that back out. We wouldn't allow a sale without coming back through the city. That's how it can be handled.

McKinney stated we'll work with public works and zoning to get some language. If there's a problem we'll come back to you. Refer it to staff and we'll get some conditional language. It would be helpful if we had a sense if the price is appropriate and if the other parts of the agreement are acceptable. The Council agreed the other terms of the agreement were acceptable.

A motion was made by Konshok, seconded by Randall, and unanimously carried to refer to city staff the proposed sale, to Jim Anstine, of city owned property, Lot Three, Block Four, Industrial Park First Addition, for additional conditional language for the purchase agreement.

9.2. Request to Waive Public Facilities Use Permit Fee for the Park Rapids Farmer's Market: Mikesh stated the Council has approved this in the past.

Ruth Ann Campton stated as Manager of the Park Rapids Farmer's Market our location for the market was moved last year from Pioneer Park to Fourth Street, between Main Avenue and Pleasant Avenue. Thanks to Dee Smith who allowed us to be on her property part of the time and the city agree to waive the fee and allow us to use the street. We carried the barriers all last summer by ourselves. In good faith, we thought we'd also offer to paint and repair some of the barriers that aren't in good condition. We believe we add a lot to the downtown businesses and we'd like to continue to do that.

McKinney stated staff has cited the city code provisions so that would be what you are making judgment on. Mikesh questioned if there were any problems last year. Eilers stated there were none. **A motion was made by Nordberg, seconded by Konshok, to approve the Public Facilities Use Permit for the Park Rapids Farmer's Market, to close Fourth Street West, from Main Avenue to Pleasant Avenue, daily on Saturdays starting May 25th and ending approximately October 31st, 2013, and to waive the fee.**

Discussion: Konshok stated from the Park Board standpoint, we work closely with the Farmer's Market. They moved at the behest of the Park Board so that we could make

improvements to Pioneer Park. In my view, and the view of the Park Board, I believe they stepped up to the plate and made a pretty significant sacrifice because they had been at the park for eight years. They had been well established there. It did work out pretty good for them last year at their new location, but I'm sure they still have issues with people trying to find them. Campton has noted in her letter that they continue to have extra promotional costs. I thank the Farmer's Market, from the Park Board, for accommodating us.

Nordberg stated I think they add to the downtown city a lot. Mikeshe stated I've been there and there was quite a crowd. There are a lot more people up on Main Avenue because of this.

The vote was called. The motion passed unanimously.

9.3. Resolution Authorizing Gregg Malm to Sub-Let Park Rapids City Lease No. 1 and No. 2: McKinney stated this is property over by the airport that has been leased. The request has been made to authorize a sub-lease. Staff is recommending approval. **A motion was made by Randall, seconded by Konshok, to approve Resolution #2013-56 Authorizing Gregg Malm to Sub-Let Park Rapids City Farm Lease No. One (1), and Two (2).**

Discussion: Nordberg stated there are a lot of technical requirements in the lease. I assume that the sub-leasee is an experienced farmer that we're familiar with that will be able to keep up with the requirements? Gregg Malm answered yes.

The vote was called. The motion passed unanimously.

9.4. Tax Increment Financing Issues:

A. Resolution Authorizing Proper City Officials to Execute the Termination of Development Agreement by and between Park Rapids Housing Limited Partnership and the City of Park Rapids: Traci Ryan stated we are ticking away on the things to get our TIF house in order. The first item is a resolution to execute a termination agreement with the Park Rapids Housing Limited Partnership. This was a TIF pay-as-you-go deal. Stan Weinberger is the name attached to this development. He did what he said he was going to do. The city did what they said they were going to do. The city made annual payments to him. We were a little behind in our payments to them, now because of other housing districts we have the opportunity to pay this district off early and let the increment stop being captured by the county and flow back to city, county, and school district. It's a good situation. The district has served its purpose and now we have the opportunity to make it go away.

Ryan stated last December the city passed a resolution to decertify that district at year end based upon reaching a termination agreement with Stan Weinberger. I worked with legal consul and put together that termination agreement. Weinberger has executed it. It proposes that the city will make a final payment to them that makes us whole through the current date. It prepays them for the next couple of years at a value that's discounted by an interest factor of 6%. The action that is being contemplated right now, once that

payment is made and the termination agreement is executed will make that district go away and this will be your last TIF reporting year on that district. We'll be making a final payment to Weinberger of \$38,736.90. It comes directly out of the TIF funds, TIF District 1-5, in addition to a transfer from TIF District 1-8.

McKinney stated this is consistent with what we talked about in December of 2012. We're following up on that. Nordberg questioned the number is different from the letter in December. Ryan stated that is a recalculation based on the most recent increment collected. I was operating on a pre-December collections number. We have since received a final payment for December. We've recalculated everything to meet our 90% payment to the developer.

Nordberg stated that means the property is going up in value then. Ryan stated it's a significant increase since the district was created. That's the goal of TIF districts. You get in, you help them, once they are up and running, you get out as quick as you can. That's what's going on here. The city is getting out of this development and letting those taxes flow back to the city, county, and school district, and less administration for the city in the future too. No longer does the city have to write checks on an annual basis or to report to the state auditor's office on this TIF district. This will be the final reporting year.

A motion was made by Randall, seconded by Nordberg, and unanimously carried to approve Resolution #2013-57 Authorizing Proper City Officials to Execute the Termination of Development Agreement by and between Park Rapids Housing Limited Partnership and the City of Park Rapids.

B. 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: Ryan stated the City Council did pass a resolution at their February meeting that called for this public hearing. This is a unique situation when you remove parcels from a TIF district you're not required to have a public hearing, but because we want to insure that the parcels being removed are being removed at their original tax capacity we need to hold a public hearing. This is a unique situation. Our office thought it was a standard removal of parcels and did not have it published. We're going to do it over again and do it right this time. We had proposed to do the work and I encouraged you to proceed with the modification and the creation of district 11 so we could save some money, but we're still going to charge you the same amount and we'll achieve the same goal. It was our mistake.

Ryan stated you may recall the reason that we are modifying TIF District 1-9 is to remove parcels to stop the cannibalization. Property values have dropped in that district. That district contains the grocery store development and the DaVita Dialysis Project. With dropping values of so many parcels, about ninety parcels, with those values dropping they are starting to eat into the increment generated by the grocery store, and ultimately eat into increment generated by the DaVita Project, which will cause the city to fall short of their obligations to make payments. It's not just a luxury, it's something that we need to do to manage that TIF district. We'll be back for that public hearing.

Ryan stated the reason this is not on the consent agenda is that we could have some discussion on property that we want to leave in the TIF district that could have some potential development coming up in the next year or two. Right now I went through every parcel in the district and looked at values. I thought that I would be able to save some

parcels that maybe had development happen on them that were generating increment but it looks like the only parcels that I would recommend leaving in the district are the ones that we have development agreements with, the two block area where the grocery store is located and the entire block where the DaVita Project is happening. If anyone knows of a reason that other development may be happening, if downtown is the focus of this district, this is the opportunity to let me know how to draw the boundaries when we're modifying it.

Konshok stated the one I mentioned was the three parcels on Highway 71, Petro Petes, the second hand store, and the home on the corner of Park Avenue and Fifth Street. All of those are currently for sale. They are all older properties. I'm wondering if that's something that we should look at. It seems prime for redevelopment. All three of those properties individually have challenges, based on size, if someone were to try to develop them individually. Those are the ones that stood out to me. Ryan stated that's a wonderful opportunity for acquisition, potential demolition, and preparing property for future development, but unless we can see that development is going to happen in the next five years, that's a risk. It's worth discussing. But I think at this point, I would rather err on putting them in the district, drawing the boundaries to include that property and following the public hearing we would make the decision as to whether or not they stay or go. Part of this process is that David Drown Associates will send letters and a copy of the plan to the county and the school district, which will identify the properties that we are going to leave in and what we are going to take out, then we publish a map as well. That map can get smaller but it cannot get bigger. At this point I'll heed that as a possibility that we can discuss at the public hearing.

McKinney questioned if any of these were to be removed, can they be added back in later by some process? Ryan stated a new TIF district can be created, that's technically not adding them back in, that's creating a new district. This district is of a unique vintage where the city created this when the economy was starting to go south. The legislature saw that and what's normally a four year window to put things back in, has been expanded to a six year window, what's typically a five year window to actually make deals happen, has been extended to a nine year window. Theoretically, they could be added back in, or if it made more sense, we'd simply create a new district.

Nordberg questioned although you would like to reduce the size of it, or number of properties, it's easier to reduce than to put back in? Ryan answered yes. There's a time to do some master planning. David Collins and I have talked about where some possible redevelopment could occur that makes sense from a timing perspective. I think there is probably another redevelopment district in your future. Either bringing them back into this parcel or until we identify solid developers, that where we'll have to weigh whether we do it now or later. I hope to have a more articulate reason for leaving them in or taking them out at the public hearing.

Ryan stated the schedule is presented in your packet for informational purposes and does not require any action on the part of the Council. It's there so you know what the process is for modifying that TIF district.

A motion was made by Konshok, seconded by Nordberg, and unanimously carried to approve Resolution #2013-58 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.

10. CITY ADMINISTRATOR UPDATE: McKinney had no comments.

11. DEPARTMENT HEAD UPDATES: Burlingame stated he attended the Minnesota Rural Water Conference in St. Cloud last week. He received good news regarding the possibility of the city receiving funding for the water treatment facility.

Scott Olson stated sales in February were good. There was a 2.9% increase in sales over last year in the same time period. We are now 6.4% over last year.

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

13. COMMENTS FROM COUNCIL: Konshok questioned when the planner would bring projects plans forward from the DNR for Red Bridge Park. Walker stated possibly the first meeting in April, such as authorization for Ulteig to begin the design work and acquisition of the easement for the trail, which the state will ultimately end up purchasing from the city. Because of their bureaucratic processes it's much easier for the city to do it and then the DNR would reimburse the city for that. Ulteig would do the work.

Konshok stated we're making steady process on that and it looks good from our standpoint. DNR is 99% sure that they will complete the design on it this year, whether funding is before July 1st, or after for construction, because June 30th is the end of the state's fiscal year. That's the only question mark at this point. It's proceeding on track.

Mikesh questioned are they still looking to start construction in June? Konshok stated I think design is going to be the key focus this year, and possibly some prep work. There's federal money tied up in the state's portion of the money, with federal money on hold, everything is on hold. I think major construction is highly unlikely this year.

Nordberg questioned, regarding the CIP, under future purchases in 2018 there's an allocation for Deane Park Improvements. I'd like the Park Board to keep in mind that there might be an opportunity for some land acquisition at the Point. Then emergency vehicles would be able to turn around. Right now if there are two or three cars parked at the point it's difficult to make a complete circle. A long emergency vehicle might have to back up three-hundred feet to get turned around. That property next to the point had been for sale a year ago. It might come up again. I wish the Park Board would keep that in mind.

Konshok stated at our last Park Board meeting we identified the need to go back to the Parks & Trails Plan that was done with HRDC, and to come up with a recommendation to mirror the five year CIP on the parks side. They just started work on that. They're not advocating any additions to the CIP we're looking at now, but for next year, they will have a much more detailed recommendation for the projects that they want to do. Nordberg stated I see in the minutes that they discussed restrooms for downtown in Pioneer Park. Konshok stated it's a definite need so it keeps coming up.

At 6:52 p.m., the Council called a recess until 7:00 p.m.

14. PUBLIC HEARING AT 7:00 PM:

14.1. Presentation of Modification of Municipal Development District No. 2 and the Tax Increment Financing Plan for Tax Increment Financing District No. 2-11: A motion was made by Nordberg, seconded by Randall, and unanimously carried to open the public hearing at 7:00 p.m.

Traci Ryan stated the Council was presented with the same draft plan that the both the county and the school district received for consistency reasons. I didn't want to give you something different. Any references in this plan to the modification of TIF No. 1-9 will be eliminated. We are modifying Development District #2 to make it bigger to include the property that we are creating TIF District #11 for. That's the reason for the numbering of these plans. Two stands for which development district it falls within and the number district 11 is the sequence for which TIF district we're creating. This one is 2-11.

Ryan stated this is a housing district. There is a map included in the TIF plan. The area being included in this TIF district is the property that Kuepers housing development is being split from. The project that you will be considering assistance for in the future is a portion of this property. When I looked at the tax information this was still all recorded as a single parcel. There's housing surrounding this area. It's reasonable to assume that this may develop as housing. It's expensive to create a TIF district. When we work with a city to create a TIF district we look around and say is there any other potential development that may be happening and we should include it at this time so we don't have to go through the expense of creating another TIF district, or modifying one, and it's also a time saver. The TIF district is larger than where Kuepers housing project is proposed, but that's so that we can address future housing needs should another proposal be presented in the future. I understand there are a couple being discussed. It's likely to assume that whatever happens in the area will likely be housing development.

Ryan stated this is a TIF housing district. A housing district has a statutory maximum duration of twenty-five years from date of receipt of the first increment. Technically it's a twenty-six year district. When you create this TIF district, you're creating it with that maximum duration. That does not mean that the assistance you will be providing will be twenty-six years. It means we're following the maximum duration by law. Once this district serves its purpose it can be decertified. When you look at extending the duration, modifying the budget, modifying the boundaries, in addition to modifying how much you issue bonds for that will require a full public hearing modification process. We try to look at what may be happening in the future.

Ryan stated we're modifying the Development District to include the TIF district. To build the budget, we look at any projects being purposed and then try and estimate what the value of development would be for any remaining property in the district, then we back into a budget. We have a total budget of \$2.4 million. That is capital costs of \$1,280,767.00, financing costs of \$880,767.00, and administration costs of \$241,216.00. These are the maximums. You're not spending that money. It's unlikely that you will spend all of that over the life of the district, but it's the upper limit of the maximum you're allowed to spend. The sole revenues to support those expenditures are tax increments that are expected to be \$2,402,751.00. We take the estimated market value of the housing project that we know will happen and we ballpark what kind of development could happen in the future. As a result of that you have a maximum budget of revenue/expenditure balancing of

\$2.4 million. Maximum amount of bonds that can be issued in this district is \$1.280 million. There's nothing that is being discussed at this time that says the city will be issuing bonds, but this allows the maximum amount should the need for that arise.

Ryan stated Briggs and Morgan took a look at this TIF plan because there were issues with the resolution. They wanted to be certain because of the way it was approved by the Council then published differently. They looked at this plan and there's a couple of small items that they adjusted, but for the most part they agreed with the plan. Ryan reviewed the plan with the Council and described the typographical errors that would be fixed.

Ryan stated as the city considers this remember that creating the TIF district simply provides you with the authority to provide TIF assistance. It doesn't approve the assistance with any specific project. As you look at this you're going to be asked to make certain findings. These findings are in the resolution that you will be considering tonight. Minnesota State Statutes require that you find that this TIF district qualifies as a housing district that is described in the plan. Only housing development will be assisted. Finding #2 is the but-for finding. If it were not for TIF assistance the development that you're expecting would not reasonably be expected to occur without TIF assistance. Because this is a larger district anytime a developer requests assistance you'll be required to collect that but-for documentation from the developer. We'll actually do that for you. The developer, Steve Kuepers, is here tonight and has through his application suggested that this project would not happen if not for TIF assistance. It helps to manage the revenue side of this on the rent levels. The third finding is if the TIF plan conforms to the general plan of the city as a whole. The fourth finding is that the TIF plan will afford maximum opportunity consistent with the needs of the city as a whole with the development of the project area by private enterprise. Those are the four findings that you are required to make and will be listed in the resolution that you'll be considering tonight.

Questions/Comments:

Nordberg questioned is all of the land in the district grassland, no buildings? Ryan stated based on the county's GIS information it is 100% vacant. Nordberg questioned you mentioned other houses in the neighborhood? Is that east or west? Ryan stated basically to the north. There's housing that has occurred to the north of this. This is a logical extension of housing. Nordberg questioned you included more land than what is needed for the immediate project and you think that might also become housing? Ryan stated correct. TIF would be available if needed by including it in this district. That does not suggest that you will provide TIF assistance. By putting it in this plan you're not approving any assistance. You're just saying if housing development happens in that area and requests TIF housing assistance, it's in the district so you don't have to go back and repeat this process.

Nordberg questioned by calling 2-11 a housing district it couldn't support industrial development? Ryan answered that's correct. Walker stated half of that property is actually zoned industrial. The long range planning documents are for industrial use. Using words like "safe to assume" are risky. McKinney stated and also saying it's consistent with the plan. Ryan stated it's a single parcel. She questioned a single parcel has two zones? Walker stated that's correct. Ryan stated that wasn't obvious to me when looking at the parcel information. I apologize for that. McKinney stated at the moment the comprehensive

plan for the south part of it is for industrial. Walker stated we've had discussions with the property owner about rezoning the entire parcel. She was resistant to that. McKinney stated we'll either have to change the zoning or the comprehensive plan/map. Ryan stated technically we can't change the map. We can't say half of a parcel is in a TIF district. Once the city approves a TIF district, passes the resolution to create a TIF district, the next step in the process is that we provide a certification form to the county auditor, which lists the parcel number, the base tax capacity, and the current tax capacity rate. They can't split a parcel. Once it's split, if property develops as industrial, we can specify that the part that is being split off for industrial will not be in the TIF district. McKinney questioned so the parcel on the west side of Pleasant Avenue is the same tax parcel as on the east side? Ryan stated yes, in everything that I saw by looking at the county map, it's one single parcel. I can address the comments in the TIF plan and remove any comments to it's clearly a housing development area, those kinds of references, and also indicate that if property develops as industrial it's the intent of the city to not have it included in this TIF district.

Nordberg stated the southern boundary is Industrial Boulevard, and both sides of Pleasant Avenue. Ryan stated the north half is residential. I will adjust the language in the plan. You're looking at a draft plan. That's the purpose of a public hearing to make any changes, and comments. This is your opportunity to include them. Adoption of the resolution will include the changes as discussed. We included all of the property because it's one parcel. At such time as it is split, the intent is to remove industrial. If we say just the project is going into the TIF district, any other requests that come up will require you to modify your district and that costs time and money. Konshok stated we have maximum flexibility. The assumption that the north half will develop as residential is a fairly valid one. It's a tossup on the south side whether it goes residential or industrial. We have some major industrial employers sitting right there. We don't want to unintentionally block them in, development-wise. They may want to do an expansion in the future.

Randall questioned you're saying the language will say any future development could qualify for TIF. You said earlier that if it's all zoned residential that you couldn't put an industrial business in there and qualify for TIF. Ryan stated in a housing TIF district, 75% of the increment generated has to benefit housing development. Technically you could not assist a large industrial development in a housing district. If industrial development happened, if it was under that 25% we could leave it in there, but I don't think that's the intent. We're creating a housing plan. I think the idea here is as long as any property that is intended to be in the district develops as housing property, then the city can choose to leave it in the TIF district. If any of that property develops as industrial, when at the time it's split, the intent of the Council tonight, is that it would be removed from the housing TIF district. Randall questioned so would a new TIF district be created? Ryan stated for the industrial, yes. Konshok questioned there's nothing legally precluding us from doing that? Ryan answered no. McKinney questioned nothing precluding us from allowing an industrial development if it's properly zoned, it just can't get TIF assistance? Ryan answered correct. We can play with that 25%, but I don't think it's advisable. That's not the intent and it becomes a nightmare to manage. If it's industrial you do economic development districts, if it's housing, you do housing districts.

Ryan stated it's important that we understand the intent. I won't be seeing the parcel split, but your planner will. When it gets split county auditors have the tendency to say take

all of the property out of the TIF district. When property is split that is in this district it's very important that somebody communicates with the county auditor at the time that the property is split to tell them what stays in and what is removed. That's not what I typically get involved with.

Konshok stated under section 18, just to clarify, it talks about TIF can't be used to finance the acquisition, construction, etc., for conducting the business of a municipality, county, school district, but the prohibition doesn't apply to any common area such as a park. If we did develop this area predominately as housing and we wanted to use some of the TIF proceeds to do a small community park down there, is that an allowed usage? Ryan stated you can't pay for the park equipment, you could pay for the public improvements that serve that. If the city's not able to collect assessments because it's dedicated public park land it could cover the street, sewer, water improvements. You can't buy playground equipment with tax increment. Konshok questioned infrastructure or structures, like bathrooms? Ryan answered ask me before you start to plan that. Typically no. If it's for operating business you absolutely can't. If it's for the public infrastructure you can. Anything in between is starting to teeter. I can't provide a carte blanche answer. When you have plans to develop that, let us know, and we'll get a legal opinion. Konshok stated if we got a large developer in there, they have the option of paying cash for parkland dedication or giving land. Sometimes we end up with a vacant lot, and then we're stuck with the bill of developing that as parkland.

Mikesh questioned if any citizens had any comments. There were none.

A motion was made by Konshok, seconded by Nordberg, and unanimously carried to close the public hearing at 7:25 p.m.

A. Resolution Approving the Modification of Municipal Development District No. 2, and the Adoption of the Modified Development Program Relating Thereto, the Creation of Tax Increment Financing District No. 2-11, and Adoption of the Tax Increment Financing Plan Relating Thereto: A motion was made by Konshok, seconded by Mikesh, and unanimously carried to approve Resolution #2012-59 Approving the Modification of Municipal Development District No. 2, and the Adoption of the Modified Development Program Relating Thereto, the Creation of Tax Increment Financing District No. 2-11, and Adoption of the Tax Increment Financing Plan Relating Thereto.

Discussion: Ryan stated the next step in the process as it relates to TIF #2-11 is I will be putting together the terms of the development agreement. Your bond consul, Briggs and Morgan, will be putting the actual agreement together. Kuepers has made a deposit of \$10,000.00 to cover the cost of creating the TIF district, the legal costs. We'll get started on that and it will be on the agenda as soon as it is ready.

Randall questioned if there was any information on the occupancy rates of the apartment complexes in the city. Kuepers stated we had our own study done. We surveyed ten properties, three-hundred and eighty-nine units total. 78% of them were previously identified in the 2006 Housing Study. There were three properties with market rate units, fifty-six units. Five properties had one-hundred and ninety-three units that were subsidized. We had two that we called senior properties with one-hundred and forty units. There were eleven vacancies in town for a total vacancy rate of 2.9%. Subsidized units, one bedroom ranged from \$525.00 to \$587.00. Two bedroom apartments range from

\$565.00 to \$643.00. It was a little fuzzy on which ones provide utilities and which didn't. Senior housing \$716.00 to \$820.00 on one bedrooms. Our proposed rents are \$675.00 for one bedroom, and \$775.00 on the market rate. TIF units were less.

Kuepers stated the Prairie Wind Apartments are the most recently built in 2007. It has two bedroom apartments at \$695.00, and three bedrooms at \$795.00. Garages are available for \$25.00 extra rent. The landlord pays heat, electric is paid by the tenant. They are actually less than what we are proposing. That is a little bothersome. We talked about it being only eight units. Thanks for pushing the TIF through. The vacancy overall in town is extremely low. The housing demand is really tight. The forecast for Park Rapids, over the next few years, you're looking at over one-hundred units will be in demand based on the demographics and what they typically see for statistics on people moving. So our twenty-nine units are projected to lease out fairly fast, in four to five months. The data that did cause us pause is on the rental rates. Rates are hard to figure out. With Summerfield being the leader in rents, they also had ten of the vacancies reported in town. The higher the rents, the higher the vacancies. In this case to see it so drastic on one project specific, there's just speculation as to why that is. We think the TIF is going to be extremely important to help with that initial move in with that 20%. A report like this is just a snapshot in time. This was done within the last two weeks.

15. ADJOURNMENT: A motion was made by Randall, seconded by Konshok, and unanimously carried to adjourn the meeting at 7:31 p.m.

[seal]

Mayor Pat Mikesh

ATTEST:

Margie M. Vik
City Clerk