

**BIG LAKE CITY COUNCIL
WORKSHOP MINUTES**

OCTOBER 15, 2014

1. CALL TO ORDER

Mayor Danielowski called the meeting to order at 6:00 p.m.

2. ROLL CALL

Council Members present: Dick Backlund, Nick Christenson, Raeanne Danielowski, Seth Hansen, and Mike Wallen. Also present: Interim City Administrator/Finance Director Jessica Green, City Clerk Gina Wolbeck, Public Works Director Mike Goebel, Financial Consultant Jason Aarsvold from Ehler's and Associates, and City Engineer Brad DeWolf from Bolton and Menk, Inc.

3. PROPOSED AGENDA

Council Member Backlund motioned to adopt the proposed Agenda with the addition of item 4C. Transportation Alternatives Grant Program Discussion. Seconded by Council Member Wallen, unanimous ayes, agenda adopted.

4. BUSINESS

4A. Northern Star Apartments Update

Jessica Green reviewed correspondence received from Ehler's and Associates, the City's Financial Advisor's relating to TIF assistance provided to the Northern Star Apartments project. The City entered into an agreement with Northern Star Apartments to provide tax increment financing (TIF) assistance for the construction of 76 apartment units to be built in two phases. The agreement contemplated completion of phase I no later than September 1, 2014 and phase II no later than September 1, 2016. Due to unforeseen circumstances, the developer was not able to meet these deadlines and is currently in default of the agreement. Green noted that the developer is requesting an amendment to the agreement that would extend the completion date for phase I to December 31, 2014 and provide for the completion of Phase II by June 2016. Jason Aarsvold also discussed that the original agreement did not provide for issuance of the TIF Note until both phases were complete. The developer is also requesting that the revised agreement allow issuance of two different TIF notes specific to the phases. Aarsvold explained that one potential risk with the amendment would be if the developer became unable to commence or complete Phase II. This could be addressed in the agreement by making failure to complete Phase II an event of default which would suspend payments on the note issued for Phase I.

The general consensus of the Council was to direct staff to draft TIF amendments allowing for a substantial completion date on Phase I of December 31, 2014, and a start date of June 30, 2016 with a substantial completion date for Phase II of September 1, 2017. Council also directed that a default clause be included in the TIF amendments if the developer does not complete Phase II by the completion date.

Wade and Duncan Susee from the ownership group of Northern Star Apartments reviewed the history of the project and explained that they were not the original developer on the project. Susee disclosed that there were financial issues with the original developer and that all costs were not disclosed to the ownership group. Susee also explained that all construction issues have been corrected on the Phase I project and they anticipate a December 15th opening date. Susee also clarified that the ownership group is committed to finishing the project.

Council discussed the \$490,000 TIF agreement which received approval from the Council based on the amenities that were presented to both the Economic Development Authority and the City Council. The City has already made concessions in the delay of the project and the delay of the extra amenities to the Phase II construction. Council stressed the need that Phase I TIF benefits be tied to the completion of Phase II. Staff clarified that the Phase II start date is June 2016 with a completion date by September 2017. Council also discussed the new SAC/WAC Loan Program and whether it could benefit this project. Staff clarified that the new loan program is geared strictly to commercial projects, not residential.

Staff discussed how to set up the default clause and that the district term needs to be clarified. Discussion was also held on splitting out TIF funds between the two phases and that it might be easier to draft one agreement instead of two separate agreements for each phase.

4C. Transportation Alternatives Grant Program Discussion (item was discussed prior to item 4B)

Brad DeWolf discussed a new grant opportunity that could be utilized for pedestrian improvements. DeWolf noted that MNDOT is currently soliciting applications for the Transportation Alternatives Grant Program (TAP) and the City has identified the need to create a pedestrian corridor along County Road 5 between Minnesota Avenue and Lions Park. The TAP program would provide an opportunity to obtain funding for 80 percent of the construction costs associated with the improvements. DeWolf also discussed the 2016 County overlay project which may include construction of a concrete path on both sides of CR 5. The estimated project cost of the TAP grant project is \$563,000 with the City's portion expected to be approximately \$203,000 that consists of the application costs, engineering, and 20% of the construction costs. DeWolf noted that in order to be eligible for the TAP program, a Letter of Intent is required to be submitted to MNDOT prior to October 31, 2014.

The general consensus of the Council was to proceed with submittal of the Letter of Intent.

4B. 2015 Budget and Levy Discussion

Jessica Green discussed the 2015 Budget and Levy. Staff reviewed individual department budgets pinpointing opportunities for savings within the preliminary general fund budget. Staff noted that the projected levy increase is still at approximately 3.8% but that staff will continue to review department budgets leading up to Council setting the Final 2015 Budget and Levy in December. Staff also discussed Local Government Aid, general fund reserves, the Moody's rating, upcoming TIF and Abatement decertifications, and Green explained how Market Value Exclusion affects residential property taxes.

5. OTHER

No other discussed.

6. ADJOURN

Council Member Hansen motioned to adjourn at 7:38 p.m. Seconded by Council Member Christenson, unanimous ayes, motion carried.

Gina Wolbeck
Recorder

10/22/14
Date Approved By Council