

**WORTHINGTON CITY COUNCIL
REGULAR MEETING, JULY 28, 2014**

The meeting was called to order at 7:00 p.m. in City Hall Council Chambers by Mayor Pro Tem Ron Wood with the following Council Members present: Diane Graber, Rod Sankey, Scott Nelson. Honorary Council Member: Nicole Ektnitphong. Council Members absent: Mike Kuhle (excused).

Staff present: Craig Clark, City Administrator; Brad Chapulis, Director of Community/Econ Development; Dwayne Haffield, Engineering, Tammy Makram, Memorial Auditorium, Mindy Eggers, Assistant City Clerk.

Others present: Erin Trester, Daily Globe; Justine Wettschreck, Radio Works; Darlene Macklin; Chad Cummings, Abraham Algadi; Kevin Donovan; Brian Pelowski, PBK Investments.

The Pledge of Allegiance was recited.

Mayor Pro Tem Wood and Council congratulated the U14 Soccer Team for their second undefeated year and winning the State Championship. Each member of the team introduced themselves. Coaches Kody Honius and Mark Demuth said it was a very talented group and they had a very successful year.

PUBLIC HEARING AND RESOLUTION NO. 3554 ADOPTED APPROVING NOBLES HOME INITIATIVE APPLICATION

This was the time and date set for a public hearing for the Nobles Home Initiative (NHI) application submitted by Todd Schwebach.

The motion was made by Council Member Sankey, seconded by Council Member Nelson and unanimously carried to open the hearing.

Brad Chapulis, Director of Community/Econ Development, said Todd Schwebach, a local building contractor is seeking approval of tax abatement for the construction of a single family dwelling in Glenwood Heights First Addition. The property is legally described as:

Lot 3, Block 1 Glenwood Heights First Addition, City of Worthington, Nobles County, Minnesota

The 3 bedroom home will consist of 1,620 square feet of living space on the main level, a finished basement, and a three stall attached garage. The estimated taxable value is \$257,400, which would generate approximately \$3,024 in annual taxes utilizing the 2014 tax rate. The City's share would be approximately \$1,050. The estimated market value for the real estate land, which is currently valued at \$21,600 for tax purposes, is not eligible for abatement.

Mayor Pro Tem Wood asked if there was anyone who wished to present testimony on the abatement. None was received.

The motion was made by Council Member Graber, seconded by Council Member Nelson and unanimously carried to close the hearing.

The motion was made by Council Member Nelson, seconded by Council Member Graber and unanimously carried to adopt the following resolution approving the Nobles Home Initiative application from Todd Schwebach:

RESOLUTION NO. 3554

A RESOLUTION APPROVING TAX ABATEMENT FOR CERTAIN PROPERTY PURSUANT TO MINN. STAT. 469.1813

(Refer to Resolution File for complete copy of Resolution)

PUBLIC HEARING - APPROVED CONTINUANCE OF SALE OF LOT 1, BOCK 1, WORTHINGTON BIO SCIENCE INDUSTRIAL PARK ADDITION

This was the time and date set for a public hearing for the Sale of Lot 1, Block 1, Worthington Bio Science Industrial Park Addition

The motion was made by Council Member Sankey, seconded by Council Member Graber and unanimously carried to open the hearing.

Brad Chapulis, Director of Community/Econ Development, said PurNet, Inc. a local medical device and supply purchase/sales company would like to purchase the property in the Bio Science Industrial Park Addition. Legal description of the property is as follows:

Lot 1, Block 1, Worthington Bio Science Industrial Park Addition

Enclosed separately with the City Council packet are copies of a contract for deed, loan agreement, and development contract between the City of Worthington and PurNet, Inc. PurNet would like to purchase Lot 1, Block 1, Worthington Bio Science Industrial Park Addition from the City, through its established land acquisition policy, to relocate its office operations. PurNet is intending to construct a 10,000 square foot office building with the ability to construct an additional 10,000 square feet of office space in the future. The appraised price for the 2.76 acres of land in question is \$250,000.

Brad Chapulis stated that the final terms are not finalized and PurNet is asking for a continuance of the hearing to the August 11, 2014 City Council Meeting.

Mayor Pro Tem Ron Wood asked if there was anyone present who wished to provide testimony on

the property purchase. Mayor Pro Tem Wood stated that since he will not be at the next meeting he hopes council would continue to move forward with the strategic planning and vision that Council undertook with the development of the Bio Science park and commercial property and hold out for a compensatory use.

The motion was made by Council Member Sankey, seconded by Council Member Graber and unanimously carried to continue the hearing to the August 11, 2014 City Council meeting.

AGENDA APPROVED/CLOSED WITH CHANGES

The motion was made by Council Member Nelson, seconded by Council Member Sankey and unanimously carried to close/approve the agenda as presented.

CONSENT AGENDA APPROVED

The motion was made by Council Member Graber, seconded by Council Member Sankey and unanimously carried to approve the consent agenda as follows:

- City Council Minutes of Regular Meeting July 14, 2014
- Minutes of Boards and Commissions - Water and Light Commission Minutes of July 21, 2014; Worthington Economic Development Authority Meeting Minutes of July 14, 2104; NEON Meeting Minutes of July 10, 2014; Public Arts Commission Meeting Minutes of July 10, 2014
- Approval of Proposed Amendment to the June 23, 2014 Regular City Council Minutes
- Application to Block/Close Streets - Worthington Area YMCA - KTD 5-K Walk
- Application to Block Street - United Pentecostal Church International
- 2014-2015 Rental Agreement with ISD 518 for use of the Memorial Auditorium
- Approval of Donation of Personal Property, Resolution No. 3555
- Change Order No. 1 to 2014 Seal Coating Project
- Approve Operation and Maintenance Agreement with EMC for Operation Industrial Wastewater Treatment Facility
- Approved Second Amendment to F.B.O. Contract for changes in Airport Hangar Four Lease
- Bills payable and totaling \$745,448.09 be paid.

ADOPTED RESOLUTION No. 3556 DESIGNATING PBK INVESTMENTS AS THE DESIGNATED DEVELOPER OF THE NORTHLAND MALL

Craig Clark, Administrator explained City staff has worked in coordination with Abraham Algadi at the Worthington Regional Economic Development Corporation (WREDC) as he brought prospective developers forward. As a result of these discussions a resolution has been drafted by the City's Tax Increment Financing (TIF) counsel Dan Hammer with Dorsey and Whitney, which outlines PBK

Investments as the sole developer of the property until December 31, 2014. Similar to what the City did in relation to the private hotel and City events center this agreement allows PBK to proceed forward and work on plans for redevelopment of the current Northland Mall site. The intervening period also allows the developer to come to terms with the current property owner on the sale of the property and perform other due diligence on a redevelopment plan.

The proposed resolution references a term sheet and outlines the project as a phased development that will encourage construction of a mixed use of retail, commercial and multi- unit multi-family housing. The City's participation would be encompassed by using statutory TIF redevelopment provisions to partner with the private development of no less than \$9 million of taxable improvements. The TIF provisions would be either "pay as you go" or a secured "up front" TIF by a minimum assessment agreement and letter of credit but allows these details to be worked out as a formal development agreement would need to be reached.

Brian Pelowski, PBK Investments explained that he has had a positive experience working with the City of Worthington over the last year. Unfortunately the mall has deteriorated beyond repair and currently has one tenant left which is the movie theater. Mr. Pelowski stated that while this endeavor will take some time there is a lot of opportunity in the City. A preliminary outline of the projected proposal was shown showing the phased development that is planned. Mr. Pelowski stated that it is paramount to keep the movie theater and will work hard to make sure that they can continue to operate until a new location can be secured. Todd Farge and Dave Feters owners of the movie theater were in attendance and explained that the last couple of years have been difficult with the conditions of the mall but the theater is very well supported in Worthington and they want to stay in the community and will work with Mr. Pelowski on the new proposal.

A motion was made by Council Member Nelson, seconded by Council Member Graber and unanimously carried to adopt the Resolution approving a Term Sheet; and Authorizing City staff to proceed with the Negotiation of a Development Agreement for the Northland Mall Project:

RESOLUTION NO. 3556

A RESOLUTION SELECTING PBK INVESTMENTS, INC. TO DEVELOP THE NORTHLAND MALL AREA; APPROVING A TERM SHEET; AND AUTHORIZING CITY STAFF TO PROCEED WITH THE NEGOTIATION OF A DEVELOPMENT AGREEMENT FOR THE NORTHLAND MALL PROJECT

(Refer to Resolution File for complete copy of Resolution)

UPDATE OF ACTIVITIES AT THE MEMORIAL AUDITORIUM

Tammy Makram, Memorial Auditorium stated that she has been in her current position for six months and wanted to show Council the activities that have been taking place. A short video was shown

outlining each performance in the last six months. Councils commended Ms. Makram on an outstanding job.

HEARD REQUEST FROM THE ORGANIZERS OF THE 2014 GOVERNOR'S PHEASANT OPENER

Craig Clark, Administrator stated that representatives from the 2014 Governor's Pheasant Opener are here to request a financial contribution from the City for the event, Chad Cummings on behalf of the organizers is here to update Council on the progress of the event.

Chad Cummings, 2014 Governor's Pheasant Opener stated that the City has an incredible opportunity to showcase the community and promote Worthington. There will be wide media coverage of the event that will also highlight Worthington and the exceptional hunting we have in our area. There will be a banquet on Friday evening to kick-off the event. The approximate cost to put the event on is \$40,000. Mayor Pro Tem Wood expressed support of the event and the tremendous opportunity it is for Worthington. Scott Nelson stated that the CVB should take the lead in financing the event through the lodging tax funds. Chad Cummings stated that they are looking for a contribution from the City toward the event. Council thanked Mr. Cummings for the efforts in organizing this event. After discussion Council agreed to have Council Member Nelson visit with CVB members at their board meeting to discuss a potential financial contribution.

HEARD INFORMATION ON THE PROPERTY ASSESSED CLEAN ENERGY PROGRAM

Betsy Herding with the Southwest Regional Development Commission provided information related to the Property Assessed Clean Energy (PACE) program which is a financing tool that businesses (commercial and industrial) can use to save on energy costs. Ms. Herding stated that The SRDC will be administering the PACE program on behalf of the Rural Minnesota Energy Board (RMEB). The PACE program will be a Revolving Loan Fund and will cover the 18 counties in southern Minnesota that are served by the Rural Minnesota Energy Board (RMEB). Using the PACE program, business owners are able to invest in energy efficiency and renewable energy improvements for their business, without taking on debt or up-front costs by financing the investments with the energy saved/generated with those improvements as a property tax special assessment, and make repayment to the local government (the PACE Program Administrator) over the duration of the repayment period. There are no up-front costs and the energy improvements will be revenue neutral for the business. Council thanked Ms. Herding for the information.

ADOPTED RESOLUTION NO. 3557 AMENDING INTEREST RATES ON EXISTING ASSESSMENTS

Dwayne Haffield, Engineer stated that in December of 2012 the City issued General Obligation Permanent Improvement Revolving Fund and Refunding Bonds, Series 2012A to, in part, refinance General Obligation Bonds, Series 2004 A. The 2004A bond true interest costs rate was 3.5588%

while the true cost rate of the 2012A bond is 1.2846%. The 2004A bonds provided financing for 4 improvement projects that special assessments continue to be paid on (current assessments). The interest rate on the assessments for the four improvements was set, initially or by amendment, at 4.5%. The 4.5% interest rate reflects the policy of adding approximately 1% to help recover internal costs associated with improvement financing. While the occurrence of PIR bond refunding is not frequent, it has been the practice of the City to amend the interest rates on any current assessments to reflect the new financing rate. Staff is recommending that Council pass the resolution amending the interest rates on the assessments effective with the installment to be certified this year.

The motion was made by Council Member Nelson, seconded by Council Member Graber and unanimously carried to adopt the following resolution amending the interest rates on the assessments effective with the installment to be certified this year:

RESOLUTION NO. 3557

A RESOLUTION RE-ESTABLISHING THE INTEREST RATE ON THE PAYBACK TERMS SET FORTH IN RESOLUTIONS ADOPTING THE SPECIAL ASSESSMENTS FOR CERTAIN IMPROVEMENTS

(Refer to Resolution File for complete copy of Resolution)

ADOPTED RESOLUTION NO. 3558 A PETITION FOR IMPROVEMENT OF SHADY LANE

Dwayne Haffield, Engineering stated the City has received a petition for the improvement of Shady Lane from Orchard Road to Ash Road. The improvement is to curb and gutter and pave the existing gravel road. The petition has been signed by the owners of more that 35% of the property abutting the improvement and is therefore adequate for the project to be considered as initiated by petition. On approval of the resolution a report will be prepared which will provide detailed information on the proposed improvement including location, need for improvement, costs, and proposed financing. After the report, a hearing may be ordered on the proposed improvement. The project development schedule would be based on construction in 2015. Staff is recommending that Council pass the resolution declaring adequacy of petition and ordering a report on the proposed improvement.

The motion was made by Council Member Sankey, seconded by Council Member Nelson and unanimously carried to adopt the following resolution declaring adequacy of petition and ordering a report on the proposed improvement:

RESOLUTION NO. 3558

A RESOLUTION DECLARING ADEQUACY OF PETITION AND ORDERING PREPARATION OF FEASIBILITY REPORT ON PROPOSED IMPROVEMENT

(Refer to Resolution File for complete copy of Resolution)

AWARD CONTRACT FOR OKABENA STREET WATER MAIN EXTENSION APPROVED

Dwayne Haffield, Engineering explained that of the two bids for the Okabena Street Water Main Extension (Re-bid) project, both bids received were above the engineer's estimate with the lowest bid being about 8.5% over the estimate. The two bids received are only slightly more than 1% apart. It is not anticipated that lower bids would be received in another re-bid. Mr. Haffield stated that an increase in the total project cost will correspond to the construction cost increase. Staff recommends that Council award the contract to the low qualified bidder, Worthington Excavating.

A motion was made by Council Member Graber, seconded by Council Member Nelson and unanimously approved to award the contract for Okabena Water Main Extension to Worthington Excavating.

ADOPTED RESOLUTION NO. 3559 TO RECEIVE REPORT AND ORDER HEARING FOR THE IMPROVEMENTS OF GRAND AVENUE BY STREET AND SIDEWALK EXTENSIONS

Dwayne Haffield explained that delivered separate from the agenda was a feasibility report on improvements of Grand Avenue north of Oxford Street by street and sidewalk extensions. The feasibility report provides detailed information on the proposed improvements including location, need for improvements, costs, and proposed financing. Staff recommends that Council receive the report and pass the resolution receiving the report and calling for hearing on the improvements, it is recommended that a hearing be set for 7:00 p.m. at the August 11, 2014 Council meeting.

Council asked if this project would go all the way to Darling Drive. Mr. Haffield stated that the project could be scaled back at the hearing if need be.

The motion was made by Council Member Graber, seconded by Council Member Sankey and unanimously carried to adopt the following resolution receiving report and calling for hearing on proposed improvement:

RESOLUTION NO. 3559

A RESOLUTION RECEIVING REPORT AND CALLING FOR HEARING ON PROPOSED IMPROVEMENT

(Refer to Resolution File for complete copy of Resolution)

APPROVED PROFESSIONAL SERVICES FOR FORMER K-MART DEMOLITION AUTHORIZATION TO ENTER INTO AGREEMENT

Brad Chapulis, Director of Community and Economic Development, stated that on June 26, 2014, Nobles County District Court issued an Order giving the City of Worthington the authority to proceed with the demolition of the former K-Mart building provided the ownership, Northland Mall Realty, LLC, failed to demolish the building themselves or file a financial bond of \$379,764 with the Court by July 11, 2014. Ownership failed to do either by the Court issued deadline. With the clear authority to proceed, the next step is to engage professional services to complete environmental assessments, completion of a hazardous building materials survey, preparation of demo specs, and project inspection/oversight. These services are extremely important as the City does not own the property and want to prevent any ability to claim of damage resulting from the demolition activities.

Staff sought quotes from Wenzel Engineering (firm who completed the structural assessment) and Peer Engineering (firm who has provided the City similar services for the Gateway Gas Station demolition as well as environmental services for the CAL and Fire Hall projects) for these services. A copy of both proposals were included separately in the Council Packet. Wenzel's quote was \$40,370 while Peer's was \$19,795. Recognizing the large difference in the prices quoted, staff identified two differences in the quotes that may have led to some level of the price discrepancy.

Mr. Chapulis stated that after reviewing both proposals, staff believes the differences referenced would lead to a price discrepancy but not to the present level. Wenzel's quotes for areas of services that are not subject to unknown conditions are higher than Peer. Also, Peer's quote includes incidentals while Wenzel's requires reimbursement for the same incidentals. Based on these factors and staff's satisfaction of the work previously completed by Peer for similar work, staff would recommend Council award the services to Peer Engineering.

Scott Nelson asked if the K-Mart demolition should be held off since we have an interested investor in the Northland Mall property. Mr. Nelson stated he is concerned about the City incurring costs for the professional services and down the road for the demolition.

Mr. Chapulis stated that costs of the demolition would be assessed back to the property and because of the environmental safety issues this is the next step towards the demolition process.

A motion was made by Rod Sankey, seconded by Diane Graber and approved to Peer Engineering's professional services for the former K-Mart demolition. Voting in favor of the motion was Sankey, Graber, and Wood. Voting against the same motion was Nelson.

COUNCIL COMMITTEE REPORTS

Mayor Pro Tem Wood - Wanted to remind citizens the water ban has been lifted but the Commission wants to urge caution as the wells remain on the borderline. Wanted to thank the U14 soccer team again for representing Worthington so well.

Council Member Graber - Attended the Heron Lake Watershed Board meeting - the person in Fulda that did not abide by the DNR rules on how he took care of the shoreline will have to get a grant as

the DNR reversed their decision - she and Craig went on a tour with the Heron Lake Watershed Board to tour farms to see how farmers are reducing silt using natural products as cedar, trees and j-hooks The Memorial Auditorium met on July 17th and received an extension on the grant for the re-rigging for the ceiling repair - will be doing something with the stained carpet in the lobby - Elvis concert sold out - attended the picnic for the Commissioner of Health

Council Member Sankey - Attended SRDC meeting n July 15 - Commission on Transportation committee meeting had District 7 & 8 project engineers in attendance to show future road projects - attended the picnic for the Commissioner of Health - advice was to stay healthy, challenged county commissioners in horse shoes and they beat us, will have to have a rematch

Council Member Nelson - Attended Nobles County Joint Transit Authority Meeting. The bus servicing Slayton, Pipestone, and Luverne will be discontinuing service September 1st.

CITY ADMINISTRATOR'S REPORT

Met with the Governor and the Joint Powers Board of Lewis & Clark and approved an agreement on how to repay the \$22 million, unfortunately Lincoln & Pipestone made an effort to restructure how the \$22 million would be repaid and ultimately voted against it.

ADJOURNMENT

The motion was made by Council Member Graber, seconded by Council Member Nelson and unanimously carried to adjourn the meeting at 8:43 p.m.

Mindy L. Eggers, MCMC
Assistant City Clerk