



GOODHUE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY

Sub-Committee

Thursday, July 1st 2004

County Boardroom

Government Center, Red Wing, MN

2:00 p.m.

Present: Commissioners: Bob Noah, Ted Seifert, Ron Zeigler, David Hamilton, , George Sutton, Tom Nordyke, Stephen Betcher, Stephen O'Keefe, Stacy Mehrkens

Introductions were done. C/Seifert stated that we are all excited about this and are hoping that everyone is on board with making the project successful. C/Seifert asked if anyone had any comments; D/Hamilton stated that Mr. Betcher and Mr. O'Keefe have prepared a pretty detailed Exclusive Negotiations Agreement to work through here today. Copies were distributed; D/Hamilton stated that C/Seifert and C/Grosso have a very important question that should be addressed before we get into working with the very comprehensive agreement, which is both for the protection of Goodhue County and for the developers.

C/Seifert stated that he thought that in the Request for Proposal and the various meetings that were held with both developers that the Board laid out pretty clear framework of where the County would like to go with this and that the County didn't want to put any money into fixing the roof, asbestos abatement but in return for that we were willing sell the building for a dollar and what the County would get out of that would be stream tax revenue. C/Seifert stated that the question that needs to be asked before we get into the rest of this is: Is Sutton and Associates able to bring this project to a successful conclusion without the use of tax finance incentive money or tax abatement money?

T/Nordyke stated that they have been doing things in the past few days that are an extension to the process of the RFP; one of the things that they have been working on is documents with the architects to the next level, to actually design it out and then in the same room as the construction guys and see if we can build it for what we think that we can build it. T/Nordyke stated that sometimes things do not work out the way that you want them to, and in that regard he is confident with the construction people that they just met with, no one is saying that we are not anywhere where we need to be, he would stand by the previous proforma and believe that they could get it done based on the response that they gave the Board. The discussions that Mr. Sutton was having with the City were in line as to can the City help in any way; T/Nordyke stated that he doesn't right now look at that proforma and say that I have a \$100,000, \$200,000 or \$500,000 hole in there, he does not have that much information right now. In regard to the TIF money in particular, if the County has a position that they would absolutely not want to consider that, he would like to know that now. C/Seifert stated that he cannot speak for the Board, but can for himself, although he feels that he has a pretty good understanding as to how the other Board members feel and why they voted on what they did, and that C/Seifert's answer to T/Nordyke would be no TIF, C/Seifert stated that he thinks that if this came back through the EDA for TIF money or tax abatement money and it finally got to the County Board he could not guarantee that the Board would approve that plan. Some members voted purely based on

streaming tax revenue and if that is gone they are going to say why did we sell the building for a dollar, when really don't know what it is worth, but certainly must be worth more than a dollar and if it was worth only a dollar it would have been gone a long time ago, so there is some other value there, but we are willing to sell it for a dollar in exchange we expect the tax revenue stream.

G/Sutton stated that he is glad that whatever discussion precipitated this point today, but would like to also say that those discussions were not driven by Sutton & Associates to get a TIF going, and stated that he called D/Hamilton almost immediately after the discussion to say that they met with Brian Peterson and Brian brought this up, he is sending us some details on it and that Springsted would be involved, what do we do with this, and we said that D/Hamilton is going out of town, B/Peterson is going out of town, we are not going to do anything and it is just a tool that the City has identified and that is it, that is as far as it has gone. G/Sutton stated that he does not want them to think that they had some misunderstanding to begin with and then start backing around the other way. C/Seifert commented that clarifies it and it is very clear.

R/Zeigler asked to make a point to keep in mind that the County Board nor the EDA will have a decision on TIF, TIF is strictly a city decision with County Board input, and stated that he thinks that there needs to be a distinction as to if Sutton & Associate's chooses to go forward with TIF, the County can provide input but cannot stop it; G/Sutton stated that what they are going forward with right now is the process that T/Nordyke talked about and moving into the next level of design and pricing detail and establishing a timeline ; R/Zeigler stated that he concurs with C/Seifert in saying that he got a call from a Commissioner that was very upset about the balloon that was floated about TIF, and that his feeling would be that if the City wishes to participate in this project in some way, he thinks that they should go on record stating that they would only participate in the abatement of their own taxes, rather than utilizing the taxes of the County and the school district to assist in that. G/Sutton asked if that would be acceptable to the County, R/Zeigler pointed out that he doesn't think that the County can say a word about the City's abatement and if the City wishes to abate the taxes, the City can do it whether the County says it can or not, the concern that Mr. Zeigler has is the way that TIF is structured in this State, is that the City can also do a TIF and abate the taxes of the County and the school district, with only input provided by the jurisdictions and not decision making, and that he does agree with C/Seifert also in the assumption that was coming forward that the County would receive the tax rolls and going back to Sutton & Associates presentation stating the benefits of the premium condominiums is contribution to the County tax base of an estimated \$30-\$60,000 annually. This will benefit the County, the City and the School District and if the City chooses to use a redevelopment TIF, which could last for 25 years and the County wouldn't see any benefit of that structure other than people in town, etc. R/Zeigler stated that this is a very important issue that if the City is interested in TIF it is a deal breaker. T/Nordyke stated that he does not have enough information to even know if they will need it, but if the County is going to put a foot down on that subject, he would like to have them do it now. R/Zeigler stated that the interesting thing to be that Mr. Peterson in talking about TIF to start with, and with what Mr. Sutton hit on before is the but for requirement. T/Nordyke stated that they have not even talked about it, and R/Zeigler stated for that to even be thrown out there seems to be preliminary; T/Nordyke stated that it is very preliminary. T/Nordyke stated that this something that is taken seriously and something that needs to be taken care of and gotten out of the way. R/Zeigler stated that Mr. Betcher could probably add a statement to the Exclusive Negotiations Agreement to that affect.

S/Betcher stated that there is a reference to this topic in #6 of the draft agreement; it could be broadened to include specific references to TIF or abatement, also we could take into consideration whether or not the County wants to enter into an agreement that allows the City to have the decision of TIF and if we say that the Developer cannot seek financing from the City through TIF, that could also be incorporated into specific language to. It would be an agreement that binds the Developer and the County and it does not bind the City, but if the Developer is not seeking it, the City will not force it; D/Hamilton stated that it is pretty clear for us to proceed and sense of understanding that the majority of the Board does not want to sanction local property tax dollars. G/Sutton asked to clarify that relative to County's interest in tax revenues or anybody's interest? D/Hamilton asked Commissioner Seifert if it is none or if the City wants to go ahead they could. D/Hamilton stated that it is an important question to ask and G/Sutton stated that there are important hurdles to cross. C/Seifert stated he thinks although he cannot speak for the County Board that the Board is most interested in protecting the County's share of that tax revenue and if the City wants to enter into some abatement agreement with you for their share of tax revenue, he wouldn't put himself nor would the Board between the City and Developer; since the building is located in City limits. G/Sutton asked if we can define it that way it would be wise to leave a window for the reason of there is a first hurdle of getting over the environmental abatement, the clean-up, the pre-development work that is ideally done before winter, so that we can see some winter construction, getting those things done and the design work so that you can do pre-sale is all conditional on all pretty high level of risk on the front end, if the City is willing to assist with that level of risk on the front end to get those things done, the entire project is at leg up, because taking over ownership from the County from Sutton & Associates perspective is going to be conditional on a clean bill of health for the building, relative to asbestos, mold, etc. If the City could be of help to get us to that point, G/Sutton questioned if that sounded like a reasonable point to take advantage of their good will towards the project? R/Zeigler stated that he feels comfortable with that and that a good way to look at this is, if the City could help that way; that is great and if the County has done their role in selling the building for a dollar. If the County is selling the building for a dollar in return for the tax revenue, the City was not able to sell the building and will have to play games other ways. R/Zeigler stated that he is comfortable with that, G/Sutton asked how to get past the first pass before winter, they are now going to have to start spending real dollars on executing plans with the architect, R/Zeigler stated that what we want to do it provide Sutton & Associates with the opportunity/timeline to spend those dollars and determine if it is going to work.

S/Betcher stated that the term stated right now the County is not in a position, not looking for County tax benefits for the project that is the narrow language. That leaves open the question if the City wants to participate, is that word that is acceptable? C/Seifert stated that he would include the words tax incentive financing is not an option because we would not want the City to arbitrarily pull the County into that and stated that he feels that option is off of the board. C/Seifert then asked Mr. Ziegler if that still leaves tax abatement on the part of the individual units, school, County, City to work with the Developer. G/Sutton questioned if the City called it that; and it is the only way that they could provide support is through tax abatement, but it is called tax increment financing, if we exclude the possibility of any revenues that would be collected by the County. R/Zeigler stated that if there is the opportunity to exclude the County out of any financial incentive that is the goal. R/Zeigler stated that he has never seen a TIF deal where you can just go and exclude on of the projects. G/Sutton stated that the onest could be on Sutton & Associates to make sure that something did not happen. R/Zeigler stated that City could still do a TIF, but could structure to capture only the City's portion of the TIF, the benefit to the developer to having TIF is 25 years and the downside to abatement right now max is 12-15

years, so there is a 10 year loss and the end, but the City could do a TIF and exclude the County portion. C/Seifert stated that his understanding was that they were two different programs, S/Betcher stated that there are several different qualifying programs for TIF projects, but does not know that the rules are any different, but to qualify for a TIF you have several different possibilities to come in under, not sure if the ultimate rule is any different. S/Betcher stated that if we want to add the language on to #6; “to dedicate monetary resources, tax benefits to the project or tax increment or incentive financing, C/Seifert stated that was on the one that he was looking for, G/Sutton stated that will somehow limit the City’s participation more than it might be wise to limit; G/Sutton reiterated again that when they came into this project with the understanding that if our numbers stand true they can do this and if this stays true they will not qualify for them anyways, the City might choose to participate in some other way to help them to get over the first hurdle, but cautioned that with this degree of unknown we should be careful not to take away any opportunities to get the project done, if the building needs that kind of lift. R/Zeigler asked if the language could be added to include “tax incentive finances that utilizes the County’s portion”. C/Seifert stated that he is comfortable with that is sure that the neighbors at the City will find a way to work it out if they want to participate.

G/Sutton stated that he is feeling a little bit nervous for Brian Peterson; he simply said that this is a possibility; nothing has gone through City Council, etc. G/Sutton stated that he does not want this to be an assumption. S/Betcher stated that he feels the Mr. Peterson is a good resource for ideas and has a long list of ideas that he routinely provides to people who are working on projects that they believe they would like to see succeed and one of them he presents to them is the option that they might consider tax increment financing for some or all of the projects, one of the things that he had mentioned that might be able to do some as a tax increment project, for example changing the parking on the street to angle parking, improvements to the open space, etc. possible options that surrounding property owners may benefit from. Mr. Peterson is just putting ideas out there and not promoting any particular one; just simply stating that they are there.

S/Betcher stated that the language for #6 will read:

“The developer understands that due to budget constraints the County is not in a position to dedicate monetary resources, tax benefits to the project or tax incentive financing which utilizes Goodhue County tax resources” G/Sutton suggested the language be bolder by saying “is not in the position and will not dedicate”

D/Hamilton stated that we need to go through this item by item; and fill in the blanks and come back to the EDA Board to have it approved and move forward from there. If we can agree on some of the wordsmithing today, great, if Sutton & Associates wants more time to talk with their partners then we can come back, we can do that also.

S/Betcher read through the agreement section by section:

G/Sutton stated that they are in the process of creating Central Park LLC, can include other parties at a later date, as the development agreement comes to a conclusion.

S/Betcher stated that number of days that have been included in the agreement; and those are not set in stone, a reasonable timeframe needs to be set.

- a. S/Betcher stated that this was done with the existing company when Springsted asked for financial information, S/Betcher stated that he believed that this will have to be done when Central Park LLC is established also, because if the agreement is going to be made

with that group, we should have the same financial information. T/Nordyke questioned if Goodhue County is planning on continuing to work with Springsted; S/Betcher that would be his assumption, although he did not know for sure, D/Hamilton was not present at this time to answer the question. G/Sutton stated that there is not going to be any new financial information until we get further down the road. S/Betcher stated that group will have to establish their financial fidelity at some point so we know who we will be signing the actually contract with. G/Sutton stated that he was concerned with the 30 day time line to that section. R/Zeigler stated that this an important point is that this is an onerous to the County to request any additional information from them, they already supplied a lot of information to Springsted and if the County is happy with that; point “a” may be done already. S/Betcher stated that the financial consultant will probably want to know actually who we are signing the agreement with. T/Nordyke questioned if the 30 days galls into effect after it is approved on July 20th.

George Sutton and Tom Nordyke will be partnered as the Central Park Condominiums LLC; No new players will be brought into this. C/Seifert questioned if Sutton & Associates will be a partner in that as well as George. Mr. Sutton stated that he and Mr. Nordyke will be the principles in it and that the Board has meet some of the people that will be working for them, Red Wing Construction; Integreat; Lawrence Realty, they are contractors to the project S/Betcher stated that to be clear on having the same information and go back to paragraph one and add or successors in interest (after Sutton & Associates).

- (c) T/Nordyke stated that on c,d,f , those timelines are going to depend on the architects and Red Wing Construction, hoping to get the proposal from the architects sometime next week and after that a discussion with Red Wing Construction on timelines; T/Nordyke felt that 60 days past the 20th should be fine, G/Sutton stated that “c” will need to be changed to 60; to cut the City some slack and stated that they don’t even know what their meeting schedule is, S/Betcher stated that a public hearing will have to be when they are ready to move ahead with that.

G/Sutton clarified stating that the extent of their conversations with the City have been two very brief meetings with one staff person, the City Planner. Does not want that in any way on the record to constitute that they have had meetings with the City. S/Betcher stated that they are on the right path with conversations with the right person.

- (e) **Eliminated entire paragraph:** R/Zeigler stated a concern from the developer’s standpoint; there has never been a feasibility study talked about and that is probably going to be something of more of a developer’s standpoint that they would want to take. If the County is not participating financially in the project our risk is minimal and it is the developer taking the risk and the developer should decide. T/Nordyke stated that process is going to be preliminary architecture, design and costing to general contractor and after that they are going to have to pre-sell 75-50% of their units in order to secure the funding. G/Sutton stated that we are going to let the market determine the feasibility.
- (f) S/Betcher stated that we want to see a financing plan; stating we want to pre-sale this many units by this time, so that we know what the goals are going to be. T/Nordyke stated that 60 days might not be reasonable, needs to talk with the appropriate people and come back with a realistic timeframe.

- (g) R/Zeigler questioned if there was a difference between, “d” & “g”; S/ Betcher stated that the difference is that you are going to see more specific information under “g” , for example a paper that is a pre-sale commitment and you would see less information under “d”.
- (h) **Statement was eliminated**
- (i) R/Zeigler suggested that a statement be made to reflect “unless any unavoidable delays”; Statement was changed to say “necessary approvals or extensions are granted”
- (k) Clarification was made to the “affected parties” is.....eliminated those words and added “County Administrator” R/Zeigler stated that on that point a person should be identified from Sutton & Associates as to whom D/Hamilton is in contact with; D/Hamilton that has been clarified and it is George Sutton.

The County shall the following was added.....

- *Continue in the commitment to sell the 1916 Building to the Developer for \$1.00*
- *Provide Developer with reasonable access to the site at the developer’s risk*
- *Continue to secure the property in the same manner as is currently being done.*

C/Seifert stated that we need to figure out what the trigger mechanism is, at what point is the County assured that Sutton & Associates is able to proceed with completion of the project and we would be comfortable with changing the deed. T/Nordyke stated that he would do it when they close on the construction financing and the funds are transferred; that is when the lender is going to require the transfer; R/Zeigler stated that that we need to make a statement that upon receipt of a lender approval to close that is when the deed could transfer. T/Nordyke stated that they would not want to take property ownership until they close on the construction loan financing.

G/Sutton questioned if it is appropriate to add a statement that states “the County shall consider reasonable proposals by the City of Red Wing to participate by advancing this project; or something to that affect, so that it invites the City in to assist with some of the things that have been identified, such as the roof, asbestos, etc. R/Zeigler re-phrased by saying “the County Board shall consider and or all alternatives to help with the development of this project from outside financial sources” S/O’Keefe stated that was stated in the County & Developer shall section “*added was obtaining city, state or federal assistance*”

1. (c) **Statement was eliminated; since the County does not have any collateral with the building.** D/Hamilton stated that what the County does not want is that the building is have done, although once we have taken the dollar, it is no longer our building. T/Nordyke stated that the bank would be the first in line.
- (d) T/Nordyke stated that he would like to see a number; and asked for clarification; it was clarified that this was the cost of the Springsted proposal; D/Hamilton stated that we were hopeful the Springsted evaluation would be paid for by the developer; less than \$5,000; D/Hamilton stated that in fairness to the developer, they were not the ones recommended by Springsted. R/Zeigler stated that in fairness to the Developer it should have been an expense that should have been paid up front. D/Hamilton stated that it was a suggestion from Mr. Thistle.

R/Zeigler asked that in the future is the County going to be looking at the Developer to reimburse costs. R/Zeigler asked if the Developer would have to pay the County for any new costs and the Developer should be aware of that up front. D/Hamilton stated that we have not retained Springsted for any new work. G/Sutton stated that they are not comfortable with the clause, since it is open ended. C/Seifert stated that they would like to strike “d”.

- (8) R/Zeigler questioned what defines lack of progress and feels that the number in the statement should be 90 days, to reflect what is stated in number 3; and questioned that between now and the 20th of July; before this negotiations agreement is approved by the Boards and is agreed upon, the groups should start the path of the development agreement.

D/Hamilton stated that he would like to hold them to the 90 days from July 20th to get the financing and pre-sales done, so that this project can move along, and stated with no disrespect to C/Seifert that it is an election year and there is the possibility that there could be three new commissioners in January and it would be to Sutton & Associates benefit to keep this moving along.

S/O’Keefe stated that he will up the draft agreement with the changes discussed and the route; R/Zeigler questioned again if everyone agrees with the Exclusive Negotiations Agreement, could work begin on the development agreement; S/O’Keefe stated that Mr. Betcher will be on vacation for the next two weeks and would not be available.

G/Sutton stated that Jeff Frost from Red Wing Construction questioned whether or not Sentence to Serve crews could be utilized to help clean up the building. D/Hamilton stated that they cannot go in there while the building is still contaminated with asbestos and mold, and they would need to discuss that with John Radmer from the Department of Corrections as to whether or not they could help with that. S/O’Keefe stated that the Sentence to Serve works under the Department of Corrections and they operate under guidelines from the State of MN as to the work they can perform.

R/Zeigler move, T/Seifert to adjourn the sub-committee meeting.

Respectfully Submitted,
David Hamilton
Executive Secretary