

**MELROSE AREA DEVELOPMENT AUTHORITY/
COMMUNITY OPPORTUNITIES COMMITTEE
THURSDAY, JULY 14, 2022 – 6:00 A.M.**

AGENDA

1. Call to Order/Roll Call
2. Approval of Agenda
3. Approval of Minutes
4. Reports
 - a. City Administrator Report
 - b. Development Consultant Report
5. Action Items
 - a. Land Acquisitions
 - 1) Theiler Property
 - 2) Daylight Court II
 - 3) Middendorf Property
6. Unfinished Business
 - a. Kraft Lot Update
 - b. Housing RFP Update
7. New Business
 - a. Trip to Nature Energy Headquarters
8. Informational Items
 - a. Next Meeting
9. Issues of MADA/COC Members and Staff
10. Adjournment

**MELROSE AREA DEVELOPMENT AUTHORITY/
COMMUNITY OPPORTUNITIES COMMITTEE
REGULAR MEETING
THURSDAY, JULY 14, 2022 – 6:00 A.M.**

A.I. #1 CALL TO ORDER/ROLL CALL

The Melrose Area Development Authority/Community Opportunities Committee (MADA/COC) met in a Regular Meeting on Thursday, July 14, 2022, at 6:00 a.m. at the Melrose City Center pursuant to due notice being given thereof. Present were MADA Members Bob Mayers, Julie Baum, Dave Rahn, Sara Hoffner, Travis Frieler, and Mayor Joe Finken, City Administrator Colleen Winter, City Planner Shelia Hellermann and Traci Ryan with Ryan Consulting LLC. MADA Member Jerome Duevel was absent. There are no active COC members. President Bob Mayers called the meeting to order.

A.I. #2 APPROVAL OF AGENDA

A motion was made by Ms. Baum, seconded by Mr. Rahn and unanimously carried to approve the agenda as submitted.

A.I. #3 APPROVAL OF MINUTES

A motion was made by Mr. Rahn, seconded by Mr. Frieler and unanimously carried to approve the minutes from the June 9, 2022, Regular Meeting, and the June 13, 2022, Special Meeting.

A.I. #4 REPORTS

- a. City Administrator Winter provided an update on the water/wastewater treatment facility. Work continues on the Wastewater Treatment Plant construction project. The headworks building is under construction and the new clarifier is constructed. The project is anticipated to be completed in early 2023. The RDB project will resume in earnest on July 11th. The Dam will be slowly drawn down so that repairs and inspections can be completed. The draw down will take two to four weeks and will be down one foot below the high-water level. Work is also continuing on planning for the Sauk River Park Campground and the City received \$350,000 from LCCMR through the Environmental Trust program. This money will be used for new campsites, a canoe/kayak launch, fishing pier, signage and partially funding of a new bathroom/shower facility.
- b. Development Consultant Traci Ryan provided an update on the Development RFP. There was a single response to the RFP from a private party wishing to purchase either a front lot on the Middendorf Property or Lots 1 & 2 combined in Daylight Court 2. Ms. Ryan met personally with each of the lumber yards and provided them with 3-5 copies of the printed RFP. Ms. Ryan received positive comments for the most part. The majority indicated that they would not do a large scale development or spec homes but that they had several private parties that they have/would design and build homes for if acceptable lots were available. Ms. Ryan also had one developer indicate their interest in a multifamily project stating "...Our challenge, and it's getting harder and harder to make work with the extremely high costs and

creeping interest rates is that we need the city to sell us the land for \$1 and we need tax abatement or TIF to make a large project pencil. Our interest in Melrose has not changed and I can honestly say in every community we have development in we have seen a huge success. This success benefits both parties with filling an extreme housing need and spurs future growth...". A local partner in a development group also expresses interest but did not follow through on a submission.

While we had hoped for a better response to the RFP, we understood the difficulty of potential bidders committing to property where the public improvements and platting had not been completed, much less not begun. As you may recall, we strategically chose to move forward so that we provided a very public forum for people to be aware of what was being proposed and give local residents, building people and developers a fair and equal opportunity to buy or develop lots/projects. Having done so, the city/MADA are now free to pursue discussions with individuals and or developers who may be interested in doing something without the political backlash of "you did not give locals the opportunity" etc

Middendorf River Property –

After the MADA Attorney completed the drafting of the purchase agreement, the seller's attorney redrafted. While the MADA Attorney believed her contract provided greater protections, I indicated that I did not believe it was in the City's best interest to challenge this as the seller is trustworthy and has integrity but did add that any additional cost for redrafting would not be the responsibility of MADA. The attorney understood and would defer to MADA.

Closing Costs for Vacant Property:

Underwriting fee	\$ 300.00
Settlement fee	\$ 185.00
Owner's Title insurance	<u>\$ 687.00</u>
	\$1,172.00

1. Ms. Ryan is recommending that this be the next priority 1 – because we are purchasing it and 2 - because it has the potential to address the most readily accessible buyers – seniors/empty nesters that will not have the same financing/down payment/etc. challenges as younger families. These potential buyers also have the potential to make existing homes available when the transition to smaller/lower maintenance homes.
2. Ms. Ryan would like to pursue discussions with developers that did not respond to the RFP to see if the city would need to take the lead in platting
3. The City engineer recommends that we look at these two parcels separately and keep the five-acre parcel as a large 3 lot development with a private drive OR market to a Common Interest Community developer because constructing a public street on this property would price it out of the market.
4. The next step on this property would be to initiate the platting process but I would wait on taking action until we can have further discussions with developers.

Budget

Staff is working on updating the budget that was included in the adopted Housing Strategy for the purposes of showing what has been spent to date, determining future lot costs and to have an understanding of how you may proceed.

A.I. #5 ACTION ITEMS

a. Land Acquisition:

1. Theiler Property

The Theiler's have delivered the abstract to the Title Company. Main Street Title & Closings in Sauk Centre will be handling the closing and is estimating that a closing could occur within the next 2-4 weeks. To assure the sellers of their right to harvest the corn on the property, Ms. Ryan is proposing that we provide a notarized statement at closing that states the Theiler's may harvest the corn this year and may lease the approximate 20 acres of property for farming, until it is developed or until MADA decides that it does not wish to have the property farmed, for \$100/acre.

Based upon the response from a few developers, it is the multifamily area of this property that has the potential to develop quickly. With that, Ms. Ryan would like to have the City Engineer authorized to review the estimated cost of improvements and break it down in a way that we have specific detail on the following:

- a. Cost of all improvements on Railroad Avenue only so that we may determine:
 - i. Cost assessable to the undeveloped properties on the south
 - ii. How to pay for and manage the cost attributable to the north
 - iii. How to manage the costs assessable to the 3 existing properties
 - iv. Portion of Railroad Avenue costs attributable to the two proposed cul de sacs
 - v. Cost of all improvement attributable to each cul de sac so that these improvements could be phased in as necessary.

A motion was made by Mr. Frieler, seconded by Ms. Hoffner approving the notarized statement at closing allowing the Theiler's to harvest the corn this year and may lease the approximate 20 acres of property for farming, until it is developed or until MADA decides that it does not wish to have the property farmed. The land would be leased at \$100 per acre.

Staff will work with city engineer and request a formal proposal for engineering and platting costs.

2. Pursue Daylight Court 2

- a. The sole response we received to the RFP was for the combined lot 1&2.
- b. The offer price would pay for the MADA purchase and the bidder would accept up to the estimated amount of assessments. The bidder did have a lot on the Middendorf property as their first choice but until the property is platted and we have a chance to work on a layout, I would not recommend awarding that lot choice because we do not yet know how it would affect future development.

- c. This would leave $\frac{3}{4}$ of the improvement cost which is estimated to be +/- \$130,000 for the City/MADA to carry on the remaining 3 Lots.
- d. The engineer has indicated that specs could be ready within the next 2 months and quotes instead of bids could be sought and improvements constructed this year.

A motion as made by Mr. Finken, seconded by Mr. Rahn and unanimously carried to move forward with preparing the purchase agreement, and award lot sale to bidder and move forward with engineering.

3. Middendorf Property Purchase Agreement.

A motion was made by Mr. Finken, seconded by Ms. Hoffner and unanimously carried approving the Purchase Agreement between the Melrose Area Development Authority and Gary and Eileen Middendorf.

A.I. #6 UNFINISHED BUSINESS

- a. Michael Gohman, acting as “Riverside Development Group LLC” has submitted the attached Assistance Application and updated site/floor plans. Project costs are estimated to be \$8.375 million and the assistance requested is as we have presented in the past. The project start date would be November 1, 2022, and completion by October 31, 2023.

Ms. Ryan has prepared the draft Development Agreement for review by legal counsel. Rinke Noonan Law had a conflict in preparing/reviewing it and so we have forwarded it to Christopher Verta, the City’s Bond Counsel – Fryberger out of Duluth. Mr. Verta is familiar with the terms as he reviewed the approach to assure it complied with law and the fire remediation funding requirements.

The purchase agreement and development agreement will be presented at the next MADA Meeting.

A.I. #7 NEW BUSINESS

- a. Plans are underway for a second Trip to Denmark to visit Nature Energy Biogas plants. A year ago, 15 people from three communities (Benson, MN; Wilson, MN; and Roberts WI) made a similar trip. Each of those communities now have a Nature Energy Project proceeding through the permitting process with plans for start of construction in 2023. Each of those projects plan to use Jennie-O turkey litter and dairy manure from local farms as feedstocks. The second trip is planned for people from the Melrose area as well people from Independence, WI and Eagle Grove, Iowa. The dates for this year’s trip are September 25 – 30. The trip will be led by Kim Bremmer, kim@aginspirations.com, who provides consulting services to Nature Energy. The people from the Melrose area that will be encouraged to participate in the trip are local dairy farmers as well as Jennie-O and Pilgrim’s Pride corporate and contract growers, and representatives from the City. A decision will need to be made by August 15th in order to secure a spot on the trip.

A motion was made by Ms. Baum, seconded by Mr. Frieler and unanimously carried to send three MADA representatives to visit the Nature Energy Biogas plant in Denmark. .

A.I. #8 INFORMATIONAL ITEMS

- a. MADA's next meeting is scheduled for Thursday, August 11, 2022, at 6:00 a.m.

A.I. #9 ISSUES OF MADA/COC MEMBERS AND STAFF

None

A.I. #10 ADJOURNMENT

A motion was made by Mr. Rahn, seconded by Mr. Finken and unanimously carried to adjourn the meeting at 7:20 a.m.

PATRICIA HAASE – CITY CLERK