

**MINUTES OF A STUDY SESSION OF THE PRINCETON CITY COUNCIL  
HELD ON JULY 2, 2015 4:30 P.M.**

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Mayor Paul Whitcomb called the meeting to order. Council members present were, Thom Walker, Dick Dobson, Jules Zimmer and Victoria Hallin. Staff present, Administrator Mark Karnowski, Finance Director Steve Jackson, Community Development Director Jolene Foss, Clerk Shawna Jenkins and Police Chief Todd Frederick.

**Resolution 15-35 – Agreeing to CSAH no 29 Street Improvement Plans**

Karnowski advised that the County needs City Council approval to proceed with the reconstruction of County State Aid Highway 29. They are going to resurface the road and fix the one problem intersection.

HALLIN MOVED TO APPROVE RESOLUTION 15-35 AGREEING TO THE RECONSTRUCTION OF COUNTY STATE AID HIGHWAY 29. WALKER SECONDED THE MOTION.

Walker asked if they are going to mill this off and lay it back down. Karnowski said that was his understanding.

THE MOTION CARRIED UNANIMOUSLY

**Co-location discussion with School District**

Karnowski reported since the June 25<sup>th</sup> Council meeting, Mayor Whitcomb, Council Member Walker and staff have had a few meetings with some of the Princeton School District officials to discuss the possibility of co-locating the School District's management staff with the city's management staff at City Hall.

The Council was advised that those conversations were going on at the June 4<sup>th</sup> Study Session.

At this point, it appears there's agreement that there is sufficient space at City Hall to house the School District's Administrative Staff. In order to make that happen, there would have to be significant remodeling of the eastern portion of the building. It would be anticipated that the School District's entrance would continue to be on the east side of the building with the City Hall entrance staying where it is.

The latest sketch of the proposed floor plan has been provided, but it is just a sketch and would need some significant final adjustments.

The School District's has also provided a very preliminary budget. It is noted that it's a conservative budget and the actual cost for the remodeling would probably be less than noted.

At this point, one of the items under discussion would be to agree to a lease rate (monthly cost per square foot) for the space the district would need. We would then draft a lease such that the final cost of the remodeling (which is deemed an enhancement of the city hall's value) would be divided by that lease rate and the district would then have a credit for that many months. The utility costs could be divided according to the square footage percentage each entity would occupy with the common areas being split by that same percentage as well.

Again, this is all very preliminary, but the Mayor and Councilman Walker want the balance of the Council to discuss the information we have at this point and then provide some feedback as the discussion continues.

They are looking at purchasing the old police department space to use as well. For whatever its worth, the superintendent suggested they would offer \$32,500 for the old police department. Zimmer asked if it the purchase of the old Police Department was contingent on the

lease agreement. Walker was under the impression was that it is not. If we can get \$32,500 and not have any additional fees associated with the purchase, he thinks that is something we can do.

Hallin asked how much square footage of office space is in the old police department. Staff was not sure on that, so they will report back to the Council.

Dobson asked if we would be able to use the back conference room on evenings if needed. Walker replied that yes, it can be used and there will be several doors to access that room.

Dobson asked for clarification that there will be an office for the building inspector. Karnowski responded there is an office for him in the preliminary sketch.

Zimmer asked if a set time frame could be written in the lease agreement and if it could be changed if needed. He said he does not want to back us in a corner. The employees currently have room to work now, but does not want to give that up and not be able to get it back.

Hallin asked if the garage is heated and insulated. Karnowski responded that it was, and that as he understands, the garage will be used for a gym for the kids.

Karnowski added that the Chamber has space in City Hall as well. Staff has been looking at doing something with them jointly in the future, so, if push came to shove, that space could be available as well.

Zimmer said he is not opposed to this, but he wants to make sure the employees are happy.

Zimmer asked if it would be an option to sell the entire building to the District and build a new City Hall. Karnowski said the District had inquired about purchasing the entire building, but they only have about \$100,000 for a purchase. Which of course would not build a new City Hall.

Karnowski and Walker stated that lease rates are between \$6-8 per square foot for prime rental rate. Zimmer asked how many years the lease would be no charge because of the renovation costs. Karnowski added that we have an obligation to our tax payers to charge a fair rate, and there are still a lot of details to hammer out. Walker stated that they are asking the Council if this should be looked at further or if the Council wanted to stop any further discussion and research. Whitcomb added that they are looking to see if we can move forward with having someone look at the site and determine which are load bearing walls, etc.

Foss asked if the remodeling will increase the value of City Hall.

Walker said the lease term would likely last about 20 years. If the city wanted to terminate the lease before the renovation costs were covered, we would likely need to buy back the amount spent.

Hallin added that the Electric, Water and Sewer rates will go up a large amount, so a fair way of splitting up the utilities would need to be determined.

Walker stated that he does not think the School District is planning on only remodeling the section they would be using.

Zimmer asked if the space we would have will be enough. Karnowski responded that we should go through a lot of the documents we keep and follow the retention schedule for those items. There are some things that can be disposed of according to the retention schedule. However, we do need to keep what we access on a regular basis upstairs.

Zimmer questioned if the remodeling is estimated to cost about \$417,000, why do they say they only have \$100,000 to purchase City Hall. Karnowski responded that he believes the funds they do have is a grant for remodeling an existing building. Walker added that the Police Department also needs extensive remodeling.

Hallin asked if both buildings are currently on separate electric meters. Jackson replied he is not sure where the exact separation is, but the Police and City Hall are currently on separate meters. If they were to share offices with us, where that separation is would probably need to be looked at.

Hallin said the electric would triple with the people they will be adding to the offices.

Dobson asked how disruptive this would be to city staff. Karnowski replied that when you take a look at the preliminary sketch, the only person moving would be the building inspector. Walker added that the maps and files would likely need to be moved temporarily.

Karnowski commented that Hallin had a good point with the electric usage. It may work better to use a number of employees' verses square footage to divide the utility costs. Walker suggested adding a meter to separate the City and School District so each would be on their own meter.

Hallin said she would like to get an appraisal on the old police department to determine its worth. Whitcomb added regardless of what an appraisal says, it is still only worth what someone wants to pay for it. Karnowski agreed and said that the cost of an appraisal would likely be a cost that we would not be able to recover at the sale. The county does appraisals on tax exempt buildings for their records, so we can find out an approximate number that they have on that space. Hallin said she is okay with that.

Walker stated that the Fire Station is much more desirable than the old police station and we are not getting many offers on that which is priced much lower than what the County has as an estimated market value.

Zimmer asked if the Council Chambers would be jointly used and how many meetings does the School Board have. Karnowski said many of the meetings the district have are smaller and would be held in the back conference room. The School Board meetings are on Tuesdays, so they should not interfere with City Meetings

Walker added that DeWitt brought up a few good points about developers meetings happening during the day and held privately, so a good calendar would need to be kept for a back conference room.

Zimmer questioned what would happen if we did need more space down the road. He would be more comfortable if there was a term added to the lease. Whitcomb mentioned the district is also working under the same issue if they were to need more space down the road.

Whitcomb said the option is there to pay them back for the balance if the City needed the entire building back.

Karnowski advised that he is not trying to push this, but he thinks it will work well. However, if the council isn't comfortable doing it, we can tell the school district we are not interested.

Zimmer is comfortable with the option, if we are in control. He does not think the remodeling cost is fair, as the City does not need remodeling done. Hallin likes the option of sharing the building for now, but her hope is that the City can eventually build a new City Hall, Public Works and Chamber building. Jackson responded that this may be a stepping stone towards that. Hallin said we may have more tax base in 20 years, so a new City Hall may be affordable at some point in the future.

Walker said if we are thinking in terms of needing more space for employees, the School District may need that sooner than the City and want to terminate the lease.

Karnowski agreed and said if we get to the point where we need to add additional staff, the school district would likely need to add staff as well. He thinks it would be a good idea to have something in the agreement that addresses that issue. It is better to work out the possible issues now and address them in the lease agreement.

Walker commented that he understands where everyone is coming from, but unless the City population doubled, we would probably not need additional space.

Karnowski stated that having both the City and School District in the same building may allow some collaboration. For example, if they have an HR person and we needed some help in an HR matter, we could possibly utilize that person if needed. Maybe there are some other staff that could be shared as well. Frederick mentioned IT and stated that the system they would be bringing to the Council Chambers would also be beneficial to the City meetings.

Zimmer added he wanted everyone to be clear that he is not against a shared office, but he is just trying to foresee any possible issues that may occur in the future.

Hallin does not agree with the cost of remodeling covering the lease fees until balanced, as the City does not need the space remodeled.

Walker said the Heating and Cooling could stay the same as they are now as that is calculated more by space, but would like to see the electric be metered separately.

Zimmer asked what the next phase would be if the council agreed to move forward. Karnowski said staff now has some ideas about how the Council feels about this option, so a lease can be started on.

Whitcomb said it wouldn't be a bad idea to take Zimmer's suggestion and have a review in 10 years.

Karnowski stated they have not crunched the numbers yet, so staff does not yet know how long the lease would be before the remodeling cost was paid.

Dobson commented that at this point, discussion isn't costing anything. Whitcomb added the school district is under a time crunch, so they need to know soon. Walker said their time line would probably look at construction over the winter.

Dobson said drafting a contract still won't cost much. Whitcomb liked Walker's idea on basic bullet points for the School District as a start to see if they can live with the base requirements.

Karnowski questioned if the Council was okay with the \$32,500 offer on the old Police Station. Jackson felt the offer should be a little higher. Hallin stated she would like to check with the county first before putting a number on it. Walker said we are trying to give them something in terms of office space in City Hall, so he feels they could pay a slightly higher amount for the old Police Department.

Karnowski replied that he will check with the County Assessor's Office and staff will come up with a number.

Walker asked what some of the bullet points may be. Some sort of exit strategy? Time frame? Whitcomb and Hallin said they are in favor of a review in 10 years.

Zimmer suggested running it past the attorney first. Karnowski replied that his plan was to write a rough draft, then run it past the Attorney to see if it would work. An exit strategy will need some thought, as he does not know of anyone else who has done something similar. Zimmer thought the League of MN Cities may be able to provide some assistance as well. Karnowski added that emailing the Administrator's and Clerk's List Serve is also an option.

Walker quickly ran the numbers and at even \$4 a square foot, the rent vs remodeling would be covered in just 4-5 years.

Zimmer said one of the bullet points should be the sale of the old Police Dept.

Walker added that if the payback is in a shorter time frame, the lease could be revisited after that amount is covered. What is looked at in the review would need to be determined.

Karnowski will put something together and he hopes to have something in rough draft for the meeting next week.

Jackson added that we need to keep in mind that what the County's idea of a value is going to be very different than what the actual value is.

Whitcomb asked if staff will run the suggested bullet points by the School district as well. Karnowski responded that he will review what was discussed with Julia Espe and let her know some of the suggestions that were brought up.

DOBSON MOVED TO ADJOURN THE MEETING AT 5:39PM. HALLIN SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

Respectfully Submitted,

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Shawna Jenkins  
City Clerk

ATTEST:

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Paul Whitcomb, Mayor