MINUTES OF A STUDY SESSION OF THE PRINCETON CITY COUNCIL
HELD ON JANUARY 5 2017 4:30 P.M.

Mayor Paul Whitcomb called the meeting to order. Council member present was Thom Walker, Jack Edmonds, Jules Zimmer, and Jeff Reynolds. Staff present, Administrator Mark Karnowski, Finance Director Steve Jackson, Public Works Director Bob Gerold, Community Development Director Jolene Foss, Police Chief Todd Frederick, Clerk Shawna Jenkins, Engineer Andy Brotzler and Attorney Damian Toven

Swearing in of New Members

Karnowski swore in new council members Jack Edmonds and Jeff Reynolds

Aero Business Park Development Criteria

Foss stated that the City Council recently decided that in an effort to encourage development in Aero Business Park, they would sell the Aero Business Park lots for $1 plus the cost of the remaining assessments.

Staff thinks it would be appropriate to set development criteria for the sale of these lots.

The suggested development criteria is being discussed as:

1. Sale is contingent upon a minimum tax value increase agreement for the proposed facility of $400,000. With the current class rate, we should see the previous investment that the City made in preparation for these lots recovered in approximately 10 years.

2. Buyer shall obtain a contractor and lender and prepare plans for development of the property in full compliance with City, local and State building codes and zoning ordinances, to be constructed within one year of the closing approved by the Planning Commission and Council. The Purchase Agreement shall establish minimum requirements prior to closing including size of building, type of construction and intended development purpose.

3. At the time of closing, Lender and Buyer shall fund the development costs in escrow with the title company, assessments shall be paid to the seller and seller shall provide a limited Warranty Deed to Buyer. The limited Warranty Deed will assure completion of construction of a development that meets the previous criteria including the $400,000 minimum tax value increase requirement.

The Communities goals focus on job creation, recovery of expended costs and tax base development, as well as increased livability, improved amenities and increased quality of life. These development incentives are being offered in the hope that increased development in Aero Business Park will motivate development in Rivertown Crossing and throughout the community.

If Council finds this development criteria satisfactory, Staff will request completion of legal documents.

Reynolds asked if this would be $1 plus assessments and will the cost remain the same, or decrease in the future. Foss replied that the plan is to keep the costs the same for all 7 lots,
which would be the $1 plus the cost of the assessments as of today.

Edmonds asked about the privately owned lots on the other side of 21st. Foss said the majority is owned by the city. Karnowski stated that there is an issue on the east side of 21st. The distance from the right of way to the back lot line is not very deep, and there is a fiber optic cable that services the school district and the old flight service station that runs through the area. When the cross wind runway is removed from the Airport plan, a large piece of that land will become buildable. When people decide to develop that, he is anticipating that the city could sell those lots at that time.

Walker said his concern is that if all these all don’t sell, the assessment amount would lower as the time goes on. Whitcomb said he believed it was originally discussed to be the current cost of assessment today, regardless of when it sold.

Reynolds said his only concern was if it will affect the value of other properties that are for sale. If builders are interested in building, they are going to snap up these city lots first.

Edmonds asked how much the lots were originally priced at. Walker believes the recent cost was at $1 per square foot plus the assessments. Foss said they have not had any interest in the lots at that price.

Foss said one consideration that has been brought up, is if a nonprofit were to purchase a property that would not allow the city to recoup those costs through taxes. She is going to work with the attorney’s to determine how to handle that if it were to occur.

Walker asked what happens if the property is not developed. Foss said with it being a warranty deed, she believes that the land would then come back to the city if the criteria was not met.

ZIMMER MOVED TO ACCEPT THIS CRITERIA. EDMONDS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

**Roundabout Easement Acquisition options discussions**

Nielsen reported that on September 22, 2016 City Council authorized presentation of offers to owners of the three parcels from which easements for the project are required and on October 3, 2016 offers were presented. One of the owners has signed the easement needed. On December 8, 2016 Council authorized purchase of remaining easements through eminent domain, if necessary. Staff had significant conversations and negotiations with the owners of the two parcels remaining from which easements are needed and is seeking direction from City Council concerning next steps in completing the acquisitions.

**SOUTHWEST QUADRANT PARCEL**

Some distance separates the City’s offer from the counter offer of the Soule Trust, the owner of the parcel. Following is a history of offers made:

<table>
<thead>
<tr>
<th>Offer Description</th>
<th>City Offer</th>
<th>$1.450</th>
<th>$.70 per square foot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soule counter offer</td>
<td></td>
<td>$8,250</td>
<td>$4.00 per square foot</td>
</tr>
<tr>
<td>Staff proposal- owner rejected</td>
<td></td>
<td>$4,250</td>
<td>$2.10 per square foot</td>
</tr>
</tbody>
</table>
Soule accepts the method used by the City in its appraisal to convert land value to compensation for the temporary easement. Soule believes, however, that the City appraisal significantly undervalues their land. Following are facts Soule indicated the City should take into account in considering their counter offer:

- Walmart paid $4.21 per square foot for 14.62 acres in the area in April 2012.
- Advanced Auto paid $9.49 per square foot for .95 acres in the area in 2007.
- The City of Princeton paid $8.96 for 1.02 acres in the area for its liquor store in May 2006.
- Soule granted an easement of approximately 2.1 acres to the City in December 2002 from the same parcel affected by the subject easements, for all of County Road 157 (21st Avenue South) south of Trunk Highway 95 for no compensation.

Following are other facts the City may want to take into account in considering the counter offer:

- Soules were awarded compensation by condemnation commissioners in 2011 for a utility easement purchased by the City across the south edge of this parcel, apparently based on a July 2006 taking date, based on approximate value of $2.10 per square foot. Soule’s appraisal indicated that the parcel was worth $3.80 per square foot.
- A 19.37 acre parcel in the northeast quadrant of Trunk Highway 95 and County Road 157 was listed for sale for $650,000 at the time the City’s appraisal was prepared, equating to a value of $.69 per square foot.
- 3 comparable sales ranging from .69 to 2.07 acres were identified in the City appraisal ranging from somewhat less than $1 to somewhat less than $1.50 per square foot.

It can be argued that the values of parcels identified by Soule above are not comparable to the value of the subject parcel because each is a platted, fully developed lot in a platted, developed area of the City. It can also be argued that $650,000 asking price for the parcel in the northeast quadrant of this intersection should be adjusted upwards to compensate for the subject parcel having a greater percentage of usable land and being access-ready.

Given the City’s need for a temporary and permanent easement from the Soule Trust, the following three options appear to be available:

1. Move forward with eminent domain of the easements;
2. Agree to match the Soules $8,250 asking price for the easements; or
3. Increase the City’s offer to the Soules for the easements.

The City of Princeton is required by State law to reimburse the Soules for up to $5,000 of having their own appraisal completed and the Soules have engaged an appraiser to prepare an appraisal. Consequently the City may be required to reimburse the Soules as much as $5,000 under eminent domain, probably somewhat less if the City agrees to the owner’s counter offer and probably somewhere between the two if agreement is reached based on an increased offer from the City. The Soules have been requested to hold up on the ap
praisal and let the City know how much has been invested in the appraisal to date, but they have not responded to this request. If the City acquires through eminent domain significant legal costs could be as high as $15,000 to $20,000 and commissioner fees and appraisal testimony costs would be additional.

Following are a listing of pros and cons of each of the options that appear to be available to the City:

**PROS OF OPTIONS**

**Eminent Domain**
Appraisal supports offer of $1,450 for easements

**Match Counter Offer**
Resolves matter immediately
Lower net cost than eminent domain option

**Increase City Offer**
If accepted would be the lowest net cost option

**CONS OF OPTIONS**
Net cost of acquiring easements will likely be greater than acquiring by other options even if the City pays its appraised value for the easements

May make acquisitions more difficult or more expensive in the future for the City
Unreasonably compensates owner

Results are uncertain and will take time to ascertain

**NORTHWEST QUADRANT PARCEL**
The owner of this parcel was offered $15,800 in compensation by the City for easements and damages to trees and shrubs in the easements, based on the City's appraisal. The $1,950 offered for easements is acceptable to Jeanette Oakes, the owner of the property, but Ms. Oakes feels the $13,850 offered for damages to trees and shrubs undercounted some items and undervalued others. Following is a history of offers made:

<table>
<thead>
<tr>
<th>Offer</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City offer- owner rejected</td>
<td>$15,800</td>
</tr>
<tr>
<td>Owner's counter offer</td>
<td>$21,200</td>
</tr>
<tr>
<td>Staff proposal- owner rejected</td>
<td>$17,000</td>
</tr>
<tr>
<td>Owner's revised counter offer</td>
<td>$18,800</td>
</tr>
<tr>
<td>Staff revised proposal- owner rejected</td>
<td>$18,000</td>
</tr>
</tbody>
</table>

Significant movement towards settlement by both the owner and the City acting through staff has occurred and the $800 difference separating the owner's last offer from the staff's last proposal is about 5% of the initial offer. Staff believes that the owner's contention that the original offer undercounted some trees and shrubs and undervalued others has some validity. The same options are open to the City on this parcel as is the case on the parcel in the southwest quadrant and the pros and cons of each are similar.
Karnowski stated that if the city ends up paying one property owner more per foot than another property owner, it can skew things a bit. However, he believes the city can make an argument in this case for the recognition of the previous contribution to the improvements in the general area.

Walker added that $4000 for 2 acres is not a lot if you add in the previous easement that they offered to the City.

Brotzler said there is some temporary easements that will be needed as well, but these are permanent.

Zimmer said he does not feel like these amounts are unreasonable. Each situation is going to be different. Whitcomb added that he would like if they would settle for a little lesser amount, but if they will not than he is okay with this amount.

Edmonds asked how much the other property owner settled for. Brotzler responded that it was very similar to the original offer that the city made to Soule’s.

Karnowski added that when 21st Ave was originally built, the engineer objected to the request for a direct driveway from 21st to the gas station. The city agreed to put that driveway in for that property owner, so he feels that may have been remembered when this easement was requested.

**WALKER MOVED TO APPROVE THE OFFER WITH SOULES AS DISCUSSED AND RECOGNITION OF THE PREVIOUS EASEMENT, AND THE SUGGESTED OFFER TO THE SECOND PROPERTY AS WELL. REYNOLDS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

**School District Assessment Partial Pay**

Karnowski advised that when the School District set up their 2016 budget, they did not anticipate there being three change orders relating to the 7th Avenue North sewer and water project and budgeted only for the anticipated $260,000 project assessment.

Accordingly, they are requesting that the City allow them to pay the $260,000 now and have the balance ($60,194.01) placed on the assessment roll. The city has checked with the County Auditor’s office and they’ve indicated they can still modify the assessment paperwork.

So, if the Council is willing to allow the partial pay of the School District’s assessment, a motion to adopt the appropriate resolution accepting the School District’s partial payment of $260,000 and, accordingly, amend the assessment roll adopted at the November 22, 2016 City Council meeting such that the assessment reflects that partial payment setting the new assessed amount at $60,194.01 would be in order.

Walker asked if they are in agreement with the change orders on the project. Karnowski responded that they had a meeting today and there may be an adjustment on the balance.

Zimmer asked if not getting the full amount hurts the city. Jackson said the intention all along was for them to pay the full amount. However, the city does have a fund that is meant for assessments and there should be enough in there to fund the $60,000 for the short term. It is not what the original plan was, but the city can adapt.
ZIMMER MOVED TO APPROVE RESOLUTION 17-1 FOR A PARTIAL PAY BY THE SCHOOL DISTRICT. WALKER SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY

Goal Setting Discussion

Karnowski reported that in the past the City Council has reviewed the list of goals from the previous years and, individually rated them.

Because we have 2 new members this year, staff thought it would be a refreshing exercise to have each of the Council members each write down their top five (5) goals they’d like to see accomplished in 2017. Council members can certainly list more than five.

The plan would then be to compile the list and then have the Council prioritize them so staff knows where to concentrate our efforts in 2017.

Walker stated that he would like to see the list start fresh. There are 2 new council members now, so it may be nice to have some fresh eyes on the various projects.

Karnowski asked for the council members to share their top 5 projects.

Whitcomb said his list would include a 21st Ave extension, development of the Arcadian Homes site, a walking bridge over river, and a boat launch and new restroom in Riverside Park.

Zimmer stated his would be the Roundabout on Highway 95 and 21st, help lessen the traffic on Rum River Drive by extending 21st Ave, development in Aero Business Park and Rivertown Crossing, the Drug Task Force, and completion of a bike trail from Crystal Cabinets to Mark Park.

Walker commented his would be the development of Aero Business Park and Rivertown Crossing, the bike trail, sidewalk to the grocery store, resolve airport boundary issues and have a written plan on file, develop a process for budget surplus and liquor store proceeds (whether assessment relief, etc.) and some additional rental units in the city.

Karnowski responded that the City is currently working on the Airport master plan and as part of that process, those issues will be taken care of. The Airport Master Plan should be done at by the end of 2017. He added that in regard to the Liquor Store proceeds, it entirely pays for the new Public Safety building, which in terms saves the residents money on their taxes.

Walker added that he would also like to work on an Infrastructure plan, and a plan to replace and repair the sidewalks.

Reynolds stated that his goals would be the same as many mentioned. He would like to see more middle income housing and if we were to get up to that 5000 population, it would give the city more funds to work with for our roads. He feels the city should market the parks and trails a bit more as well.
Edmonds said that he did not write down any talking points, but agrees with much of what has been said. He isn’t sure how the city could climb to a population of 5000 without annexing some land, but agrees that the state aid money would be very helpful. He would also like to see an extension on 21st and the sharp corner fixed near Sterling Pointe. He was involved with the Arcadian site while on the Planning Commission and agrees that it should be developed. In talking to people in town, he hears many comments on why the roads are so rough. He said he has explained that many of the roads were gravel roads at one point and are now many layers of seal coat.

Foss reported that the owners of the old Steven’s Building have met with the building inspector, so they can begin doing the work that they were wanting to do.

Carroll Ossell asked if the council’s goals can be put on the city’s website. Staff agreed.

**Replacing 2002 Police Chevrolet 4 wheel Drive Tahoe**

Frederick advised that Ranger GMC is now the new Chevrolet state bid program for ordering a scheduled replacement squad for the year of 2017. The total purchase price including delivery is approximately $37,000.00 for a 2017 Chevrolet Police Pursuit 4 wheel drive Tahoe. The add on options for the squad have been limited to items such as, removing carpet and adding rubber floors, adding LED spot lamp to driver’s side door, wiring package, wiring tunnel (front engine compartment to rear cargo). In addition to the price of the squad there is approximately 13,000.00 budgeted for replacement of the equipment as well as conversion cost.

The Princeton Police Department will be replacing the 2002 4 wheel drive Chevrolet Tahoe which has approximately 120,000 thousand miles on it. This squad has been used as a patrol squad and Reserve Squad.

Frederick stated that he is also seeking council authorization to dispose of the 2002 Chevrolet Tahoe. He said he is attempting to negotiate the sale of the above squad car again to the Mille Lacs County Animal Control Officer or another interested Public Safety Department. If he cannot reach a satisfactory sale price based off of Kelly Blue Book Value, he would like to take it to Public Auction. He will be trying to still be cognitive of getting the most out of the police department’s used equipment for transfer.

Walker and Zimmer both agreed that the police need a large vehicle and in 4 wheel Drive.

ZIMMER MOVED TO APPROVE THE PURCHASE OF A RANGER GMC, NOT TO EXCEED $37,000 FOR THE VEHICLE AND $13,000 FOR ADDED EQUIPMENT AND TO SELL THE 2002 TAHOE. WALKER SECONDED THE MOTION.
Frederick stated the issue they have had with the Chevy's is that they deal more with a broker instead of a standard dealer. Currently they have a contract with Rum River Auto, and that includes Rum River taking it to a dealer for any warranty work, so that is helpful.

THE MOTION CARRIED UNANIMOUSLY

Emholtz Subordination Agreement

Jackson reported that this was a Small Cities Development loan that developed rapidly and just came to staff today. Because of the timeline, if the Council is comfortable, he is asking for approval contingent in it being a straight refinance and no cash being taken out. This was a Small City’s Development program loan.

Walker asked if we were first in line. Jackson responded said we are second in line, the original mortgage is first. If it is a straight refinancing he doesn’t see a problem. He thinks they may not even continue with it if they cannot get any cash out. He will confirm with the loan company before any documents are sent out.

ZIMMER MOVED TO ADJOURN THE STUDY SESSION AT 5:35PM. WALER SECONDED THE MOTION. MEETING ADJOURNED

Respectfully Submitted,

_________________________
Shawna Jenkins
City Clerk

ATTEST:

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Paul Whitcomb, Mayor