

MINUTES
COUNCIL WORK SESSION
MARCH 1, 2004
7:00 PM

PRESENT: Mayor Rietz, Council Member-at-Large Goodnature, Council Members Christopherson, Pacholl, Koch, Jorgenson, Chamberlain, and Nordin

ABSENT: None

STAFF PRESENT: Craig Hoium, Jon Erichson, Jim Hurm, and Tom Dankert

ALSO PRESENT: Ron Meyer and Josh Diaz (Piggy Blues BBQ), Austin Daily Herald, and Austin Post Bulletin

Mayor Rietz opened the meeting at 7:08 p.m. Mayor Rietz thanked council for the library memorial in the name of her mother-in-law. Mayor Rietz also discussed with council the dates for a Visioning/Planning session. After some discussion the dates were set for April 22, April 27, and May 11 from 5:00 to 8:30 each night.

Item #2 – Community Development Director Craig Hoium reviewed a proposed sale of the Silver Bullet building to Piggy Blues BBQ. Mr. Hoium noted the city purchased the building around 1999. The goal was to get the building remodeled and have a new business in it. All asbestos has been abated from this building on the first floor. Mr. Hoium noted Craig Holmen at Joseph Company has estimated the exterior and interior costs would be around \$350,000 to renovate (this includes exterior renovation on the north and east sides, and new windows on the first and second floors). Mr. Meyer and Mr. Diaz would like to put some “sweat equity” into the building, which could be around \$40,000 in order to lower the cost from Joseph Companies. Piggy Blues BBQ would like the city to finance the project, with ownership being obtained this spring, and a move-in date would be after completion, which may take a year. Additionally, Piggy Blues would like to not make payments until after one full year.

Ron Meyer of Piggy Blues noted the summer is their busiest time, so most of the sweat equity could not be done while the summer is in session. The current lease of Piggy Blues building expires in May of 2005. Mr. Meyer said more room is needed, plus they have already paid over \$100,000 in rent and improvements to their current building and do not technically own any of it. The goal is to renovate both sides of the Arcade/Silver Bullet building, but sell the east side (former Arcade building) after everything is remodeled. If the east side of the building is sold, Piggy Blues would apply 100% of the sale to pay down their proposed loan with the city. Mr. Meyer said additional money would need to be borrowed from a bank for the interior furnishings. Mr. Meyer noted this is a family-style restaurant; no hard liquor license will be requested.

Mayor Rietz questioned Mr. Dankert regarding financing. Mr. Dankert noted the funds would need to come from fund balance of the General Fund or a restructure of the Building Fund. The funds would be paid back with interest, so there is no real effect on the fund balance unless payment is not made. One other unique issue is the borrower is proposing to not make payments

for one year. There is a risk to the city in that if this does not work out for Piggy Blues BBQ, we will have another \$300,000 or so in the building with no ready buyer. Council Member Jorgenson questioned if the city had any history in this. Mr. Dankert noted smaller loans to Tienda Mexico, McFarland Truck Lines, and Pantaleon Mata have been made in the past.

Council Member Pacholl questioned what would happen with the former Arcade side. Mr. Meyer noted the entire front would be redone, with new windows. A new HVAC system would be installed, and the building would be put up for sale. Mr. Meyer noted this would be one-and one-half times bigger than his current restaurant. Mr. Hoium noted we have had this building out on RFP on a few occasions, with no takers.

Council Member Chamberlain questioned if the city had tried to sell the building before with the city financing the improvements? Mr. Hoium stated the answer was no, but under the RFP process, potential bidders need to put their financing source in their proposal. Council Member Chamberlain questioned if the door is closed on the RFP process. Mr. Hoium noted the last RFP was done maybe two years ago. Council Member Chamberlain questioned if Piggy Blues request could be a response to the RFP process. Mr. Hoium noted he could not answer that.

Council Member-at-Large Goodnature stated he likes the way Piggy Blues runs their business; however, there is always a difference between reality and dreaming on projects. He would like to see the project done quickly, instead of over a one-year timeframe. The City was also going to use its own money at one point in time to help renovate the building, or even to tear the building down. It is hard for a small business to sustain this type of payment. Mr. Meyers should sit down with Craig Holmen at Joseph Companies to see how long it would take for them to just do the project from start to finish. If the east side is sold, the entire sale should go towards paying our proposed loan down. Council Member-at-Large Goodnature noted this is an unusual project, but it is in the best interest of the city to get this building taken care of.

Mr. Hoium also noted we should get a business plan, financial statements, a detailed contract, and a listing of the improvements to be made that meets our satisfaction.

Council Member Christopherson questioned why the city rather than a bank should finance this project. Mr. Meyer noted he has talked to four financial people, and the banks want Piggy Blues to put up half of the money themselves. The appraised value will not equal the bank loan, so that makes a bank loan even more difficult.

Council Member Chamberlain noted he would like to see a scenario whereby we (the City) would do the project and try to sell the former Arcade side ourselves. The other side could be leased to Piggy Blues for a twenty-year period.

After further discussion, it was decided to bring this back to Council at the first work session in April with a review from staff of the city doing the process versus Mr. Meyer's proposal.

Motion by Council Member Jorgenson, seconded by Council Member Nordin to move the project forward, with staff to bring a review back to council on the April 6 work session. Carried 7-0.

Item #4 and #5 – Mr. Hurm discussed the Business Subsidy Criteria and the JOBZ criteria. These two policies have been reviewed by Dorsey and Whitney and DEED. Mr. Hurm noted the big change in the Business Subsidy Criteria revolves around the rate of pay, which would currently be listed at \$9.75 as recommended by DEED. Much of this policy is required by Minnesota State Statutes. Mr. Hurm noted he would like the council to adopt these policies on March 15. Mr. Hurm noted applicants would need to complete an application with some fairly tight rules. The Port Authority could screen applications first if so desired, before the council would approve any.

Council Member Chamberlain questioned on the Piggy Blues issue then, would they have to follow this policy? Mr. Dankert noted that he believed they would not, as they would need to be paying market rate on the loan, so there is no real business subsidy. Mr. Hoium noted we need to have the JOBZ criteria approved before we take any applications. Mr. Hoium noted DEED does not think any retail operations will pass muster at the state level.

Council Member Christopherson noted the rate of \$9.75 per hour is a glorified minimum wage. We are not promoting higher paying jobs with this wage rate, we are promoting poverty. Mr. Hurm noted we could increase the wage rate, the same goes for JOBZ.

Council Member Koch stated that we should leave it as open as we can to allow for more flexibility and the need for making fewer exceptions.

Mayor Rietz requested a council member and a Port Authority board member work through their questions, and to bring it back to council before the March 15 council meeting.

Council Member Koch noted we want the jobs in this town. Council Member Chamberlain clarified that Council Member Christopherson does not want to promote low paying jobs. Council Member Christopherson stated people should be paid at least \$15.00 per hour in order to be able to live. Council Member-at-Large Goodnature noted Council Member Christopherson is making a good point.

After further discussion, motion by Council Member Nordin, seconded by Council Member Jorgenson to recommend Council Member Christopherson and Port Authority President/Council Member Koch meet with Mr. Hurm and City Attorney David Hoversten to review the policy and to bring back a recommendation to council at 4:30 on March 15 for a work session. Carried 7-0.

Mr. Dankert discussed the preliminary results of operations for the General Fund (our main operating fund) for the year ended December 31, 2003. Mr. Dankert noted these numbers will be audited the week of March 8, and do not include the small investment fund balance that will get merged in on the financial statements. On the revenue side, we budgeted to receive \$11,473,316 and actually received \$11,463,908, or 99.92% of our budgeted revenues. On the expenditure side, we budgeted to spend \$11,522,295, and actually spent \$11,330,896, or \$98.34% of our budget. We had projected approximately \$260,000 of extra money being transferred into the Building Fund to fund the capital projects as originally approved on January 5, 2004. We are now requesting the approval to transfer of \$300,000 into the Building Fund. This will leave our undesignated fund balance at an acceptable level according to the State Auditor. Mr. Dankert noted he brings this to council every year for them to make a decision about what to do with any excess funds.

Motion by Council Member Koch, seconded by Council Member Jorgenson to recommend to council the transfer of \$300,000 from the General Fund to the Building Fund effective December 31, 2003. Carried 7-0. Item will be added to the next council agenda.

Item #3 – Mr. Hurm noted George Brophy could not be here today for further discussion on the Economic Development Action Plan and the relationship with the DCA. Council Member-at-Large Goodnature requested that this item be placed on a future work session agenda.

With no further items on the agenda, motion by Council Member Nordin, seconded by Council Member Jorgenson to adjourn the meeting at 8.48 p.m.

Respectfully submitted,

Director of Administrative Services