

**WORTHINGTON CITY COUNCIL  
REGULAR MEETING, APRIL 28, 2014**

The meeting was called to order at 7:00 p.m. in City Hall Council Chambers by Mayor Alan E. Oberloh with the following Council Members present: Mike Kuhle, Diane Graber, Rod Sankey, Ron Wood, Scott Nelson.

Staff present: Craig Clark, City Administrator; Brad Chapulis, Director of Community/Economic Development; Dwayne Haffield, Director of Engineering; Janice Oberloh, City Clerk; Sgt. Brett Wilttrout, Public Safety Department.

Others present: Steve and Lori Dudley and their son Will; Jorge Lopez and Rick Goodeman, Southwest Minnesota Housing Partnership; Ken Moser; Aaron Hagen, Daily Globe.

The Pledge of Allegiance was recited.

**RECOGNITION OF WORTHINGTON SENIOR HIGH SCHOOL STUDENT - WILL DUDLEY**

Mayor Oberloh welcomed Will Dudley and his parents, Steve and Lori Dudley, to the meeting to recognize Will for his achievement in earning the Triple A Award for Academics, Athletics and Fine Arts - one of only four Worthington High School student to achieve the award. Mayor Oberloh stated Council and the community are proud of him. Mr. Dudley thanked Council.

**AGENDA APPROVED/CLOSED WITH CHANGE**

Staff requested that item 3.a.3. *Application to Block Streets - Worthington Okabena Windsurfers* be pulled from the consent agenda for separate discussion and action.

The motion was made by Council Member Graber, seconded by Council Member Nelson and unanimously carried to approve/close the agenda with the requested change.

**CONSENT AGENDA APPROVED**

The motion was made by Council Member Wood, seconded by Council Member Kuhle and unanimously carried to approve the consent agenda as follows:

- City Council Minutes of Regular Meeting April 14, 2014
- Minutes of Boards and Commissions - Water and Light Commission Minutes of Regular Meeting April 21, 2014; Worthington Housing and Redevelopment Authority Board Minutes of February 25, 2014; Heron Lake Ocheda Watershed Board Minutes of February 24, 2014 and February 18, 2014
- Authorized purchase of a 2005 Dodge 1500 pickup from Worthington Public Utilities for Prairie View Golf Links and declared a 1995 Ford F150 pickup and a 1995 Chevrolet pickup as surplus equipment according to City policy.

- Approved a Temporary On-Sale Beer license for the Worthington Okabena Windsurfers - Sailboard Beach for their beer garden as follows:
  - Wednesday, June 11, 2014 from 3:00 p.m. - 11:00 p.m.
  - Thursday, June 12, 2014 from 3:00 p.m. - 11:00 p.m.
  - Friday, June 13, 2014 from 3:00 p.m. to 11:59 p.m.
  - Saturday, June 14, 2014 from 12:00 Noon to 11:59 p.m.
- Authorized transfer of \$20,000 from the Security Center Equipment Revolving Service Fund New Facility Furnishings Reserve for new dispatch workstations
- Bills payable and totaling \$1,048,481.92 be ordered paid

### **APPLICATION TO BLOCK STREETS APPROVED WITH CAVEAT OF BEER GARDEN LOCATION**

Council discussed the application for the street closure for the 2014 Regatta. Ken Moser, representing the Regatta Committee, told Council there would be no different positions with the vendors or the band due to the location of the power supply, but they would like to move the beer garden out to the street to address the concern of the impact on the new grass, especially in light of the drought we are experiencing. Mr. Moser said they had worked with City staff in determining that the street by Sailboard Beach would be a viable location. Council Member Wood expressed concern regarding the proposed location of the beer garden and its nearer proximity to the homes there, and the potential problems that could come with it. Mr. Moser said that although streets would be closed off, there would be access to all of the homes in the area of the regatta street closures. All of the street barricades will be manned by Hockey Association members who would allow the residents and emergency personnel access to their homes. After further discussion, it was determined that additional thought would be given to the location of the beer garden.

The motion was made by Council Member Wood, seconded by Council Member Nelson and unanimously carried to approve the application to block streets for the 2014 Regatta as requested, with the caveat that the location of the beer garden meets approval as discussed.

### **SETTLEMENT AGREEMENT PERTAINING TO INDUSTRIAL WASTEWATER TREATMENT FACILITY APPROVED**

Dwayne Haffield, Director of Engineering, stated that, based on the confidential information Council received under separate cover with their Council Agenda packet, they could decide whether to proceed with this issue following discussion, or, if they wished to visit with a member of the City Attorney's office, they could table it for a closed session.

In May of 2002, Council approved two contracts with Environmental Management Corporation (EMC) pertaining to the Industrial Wastewater Treatment facility. One was for program management services pertaining to the improvements and sludge disposal projects, and the other was

for operations of the facility which replaces the contract with PeopleService effective September 2002.

Mr. Haffield noted the program management services were provided for the Phosphorus Removal and Sludge Handling project at the Industrial Wastewater Treatment plant. Construction of the project began in 2003 with completion in 2004, and involved installation of equipment for addition of chemicals for phosphorus removal and facilities for sludge handling and storage. The sludge storage facilities consisted of two 125' diameter x 26' tall coated steel tanks. Evidence that the coating of the steel sludge storage tanks was failing was observed prior to October 2008 and noted in that month's operational report from EMC. In a July 10, 2009 correspondence to the City Engineer, EMC acknowledged that it is responsible for re-coating the sludge storage tanks at the Industrial Treatment facility, and outlined a plan for addressing the coating failure. Subsequent annual reports from EMC identified the need to address the tanks' coatings as an EMC initiative for the following year. In late 2012 the City Attorney submitted a letter formally requesting mediation of dispute to initiate a more timely resolution of the failing coating.

The proposed settlement agreement was now before Council for their consideration and approval. Mr. Haffield noted that the proposed settlement agreement was confidential attorney-client privilege, but would become public should it receive Council approval.

The motion was made by Council Member Wood, seconded by Council Member Kuhle and unanimously carried to approve the settlement agreement pertaining to the Industrial Wastewater Facility and to authorize the Mayor to execute the agreement.

### **NOBLES HOME INITIATIVE GUIDELINES APPROVED**

At their March 10, 2014 meeting, Council gave support to the general parameters of the Nobles Home Initiative program presented by WREDC, a tax abatement program intended to encourage the construction of new single family and multi-family housing, and requested staff to draft the guidelines/policy of the initiative for formal approval. Brad Chapulis, Director of Community/Economic Development, noted that staff had worked collaboratively with WREDC and Nobles County staff to develop the proposed guidelines, which outlines who is eligible, the terms of the tax abatement, and the application process. The total amount of taxes abated in any given year cannot exceed 10% of the net tax capacity of the city, or \$200,000, whichever is greater. Mr. Chapulis said that amount for Worthington would be \$598,000.

Any person who constructs a single family home, duplex, or multi-family complex between April 1, 2014 and December 31, 2017 would be eligible to receive 100% tax abatement of the City's share of real estate taxes for a period of 5 years provided all of the following are met:

1. The property is located within the limits of the City of Worthington and zoned properly for

- the proposed development.
2. The applicant shall not have received other local financial assistance (tax increment financing/TIF, Workforce Housing, SCDP).
  3. The local government entity shall set a construction start date no later than 6 months from date of final development approval.

Real estate taxes collected for the value of the land is not eligible for tax abatement. The Initiative would be a 3.5 year pilot program.

Following discussion, the motion was made by Council Member Wood, seconded by Council Member Sankey and unanimously carried to approve the guidelines of the Nobles Home Initiative Program.

Craig Clark, City Administrator, noted the City had already received its first application for the program.

**RESOLUTION NO. 3542 ADOPTED APPROVING SOUTHWEST MINNESOTA HOUSING PARTNERSHIP REQUEST FOR ASSISTANCE WITH APPLICATION TO MINNESOTA HOUSING FINANCE AGENCY FOR ITS LOW INCOME HOUSING TAX CREDIT PROGRAM**

The Southwest Minnesota Housing Partnership (SMHP) is seeking financing from the Minnesota Housing Finance Agency (MHFA) through its Low Income Housing Tax Credit (LIHTC) program for the Partnership's proposed 60-unit rental housing development. If funded, the Housing Partnership would be committed to dedicating 54 of the 60 units for persons/families that make 60% or less of the Area Median Income. The MHFA utilizes a point system to allocate the highly competitive LIHTCs. Points can be obtained through local contributions which can consist of capital, in-kind, fee reduction, tax abatement, tax increment financing from the local unit of government and donations from area employers.

Due to the MHFA's need for evidence of local support, the Southwest Minnesota Housing Partnership (SMHP) was requesting Council to consider the following items to strengthen their LIHTC application:

- The establishment of a Pay-As-You-Go Tax Increment Financing District for land acquisition and site improvements related to the project; and
- A deferred loan of \$300,000 that is co-terminus with the 1<sup>st</sup> Mortgage.

Brad Chapulis, Director of Community/Economic Development, noted that the use of TIF has historically been a common tool utilized for similar projects, but the request for the deferred loan for more than the token amount is new. Typically, deferred loans of this magnitude were provided by

the Minnesota Department of Employment and Economic Development (DEED) through its Small Cities Development Program (SCDP). However, the US Department of Housing and Urban Development recently concluded that the use of SCDP funds for new construction projects was not an allowable activity. Should Council approve of the loan, staff was recommending the use of Revolving Loan Fund reserves, which is currently about \$1.1 million.

Mr. Chapulis said Council would only be giving approval to the concept of the TIF tonight - the Housing Partnership would need to come forward to seek formal approval at a later date. Craig Clark, City Administrator, added that this would be a challenge grant program and that they would be looking for \$350,000 to \$500,000 of local investment.

Rick Goodeman of the Southwest Minnesota Housing Partnership was present and reviewed the project for Council, noting the total development cost of the project is \$11.6 million.

Following discussion, the motion was made by Council Member Graber, seconded by Council Member Kuhle and unanimously carried to adopt the following resolution in support of the Housing Partnership's development project:

RESOLUTION NO. 3542

A RESOLUTION OF THE WORTHINGTON CITY COUNCIL FOR THE SUPPORT AND COMMITMENT OF A HOUSING DEVELOPMENT PROJECT

(Refer to Resolution File for complete copy of Resolution)

**RESOLUTION NO. 3543 ADOPTED ORDERING REPAIR OR REMOVAL OF HAZARDOUS CONDITIONS LOCATED AT 1635 OXFORD STREET, WORTHINGTON, MINNESOTA**

At their April 14, 2014 meeting, Council tabled action on moving forward with ordering the repair/demolition of Northland Mall to allow staff time to do their due diligence in review of a plan submitted by the owner to address the issues outlined in a letter he received from the City on March 13, 2014. After reviewing the plan and completing due diligence, staff determined that the plan of action was not acceptable due to the lack of a specific scope of work for each violation, no evidence of executed contracts, and no specific time line for completion. Based on the dilapidated and physical state of the building and lack of an acceptable plan of action, staff was recommending that the City move forward to require the owner to repair the building. MN Statute Chapter 463 allows local units of government to declare a building to be "hazardous" and to order the owner(s) to abate (repair or demolish) the structure and to include an established time frame to do so. If the owner fails to comply with the Council's order, the next step would be for the City to seek an Order from the District Court to enforce the City's Order to abate (demolish/repair) the "hazardous" building.

Execution of the City's Notice of Order would require the owner to do the following:

1. Properly repair all the identified violations outlined the March 10, 2014 letter or demolish the subject building.
2. Obtain all of the applicable permits to do the work necessary to satisfy this order within thirty (30) days from the date of this Notice and Order.
3. The demolition or repair work must be completed within sixty (60) days from the date of the Notice and Order.

The motion was made by Council Member Kuhle, seconded by Council Member Wood and unanimously carried to adopt the following resolution ordering the repair/demolition of Northland Mall:

RESOLUTION NO. 3543

A RESOLUTION ORDERING THE REPAIR OR REMOVAL OF HAZARDOUS CONDITIONS LOCATED AT 1635 OXFORD STREET, WORTHINGTON, MINNESOTA, AND LEGALLY DESCRIBE AS:

Parcel ID# 31-2933-100 & 31-295-500

Lots 2 and 5, Block 1, First Resurvey and Resubdivision of Northland Mall First Addition, City of Worthington, Nobles County, Minnesota.

(Refer to Resolution File for complete copy of Resolution)

### **COUNCIL COMMITTEE REPORTS**

Mayor Oberloh - nothing to report.

Council Member Kuhle - attended a Public Arts Commission meeting - they were successful in receiving their grant and are looking at a sculpture and working with Memorial Auditorium to locate it in the lobby. They're also looking at expanding the arts at the regatta and painting a mural on the side of the Medi-Van building. Concepts of the mural were distributed. Council and staff discussed the mural vs. graffiti and whether it would be regulated by our ordinances.

Council Member Graber - attended a meeting at the Living Life Adult Day Care Center on April 15<sup>th</sup> - they are concerned about the cost of care for the aging. It was a good meeting. Attended the Heron Lake Watershed meeting, reviewed their annual report, had a discussion on data practices. Attended the Arbor Day planting - Council Member Wood did a good job filling in for the Mayor. Attended Board of Equalization this morning - it was interesting.

Council Member Sankey - nothing to report.

Council Member Wood - commented that although it's been raining we've received nothing

compared to what others are getting.

Council Member Nelson - the city sign committee met - the prices have gone up substantially for the signs - mostly due to making them strong enough to accommodate the wind load we get. It's not going to happen for \$25,000 per sign. Also attended the taxation meeting today - we need to talk about the water issue on Ninth Avenue.

### **CITY ADMINISTRATOR'S REPORT**

Craig Clark, City Administrator, reported that we continue to be vocal in our request for State funding for the Lewis and Clark project. It's frustrating that we have commitment to do a larger bonding bill from those in control of the legislature and the Governor's office - all it takes is the will power of several others to join in and go to that larger dollar amount and we could get the full amount for Lewis and Clark potentially - we'll continue to do everything we can.

### **ADJOURNMENT**

The motion was made by Council Member Nelson, seconded by Council Member Wood and unanimously carried to adjourn the meeting at 8:18 p.m.

Janice Oberloh, MCMC  
City Clerk