

**JOINT WORTHINGTON CITY COUNCIL/WATER AND LIGHT COMMISSION/  
HOUSING AND REDEVELOPMENT AUTHORITY SPECIAL MEETING,  
MARCH 18, 2014**

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

Water & Light Commission members present: Randy Thompson, Gary Hoffmann, Jim Elsing, Ron Wood and Kevin Donovan.

Staff present: Craig Clark, City Administrator; Mindy Eggers, Assistant City Clerk; Brian Kolander, Finance Director; Brad Chapulis, Community/Economic Development Director; Scott Hain, General Manager of Utilities.

Others present: Lyle Ten Haken, Randy Thompson, and Royce Boehrs, Worthington Housing & Redevelopment Authority; Lisa Graphenten and Amy Woialewicz, SW MN Initiative Foundation; Jorge Lopez Southwest MN Housing Partnership; Justine Wettshrek, Radio Works; Aaron Hagen, Daily Globe.

**WORTHINGTON HRA RISING SUN ESTATES PROJECT UPDATE AND REQUEST  
FOR FINANCIAL ASSISTANCE APPROVED**

Brad Chapulis, Director Community/Economic Development welcomed everyone to the meeting and explained that over the last sixteen months the Housing and Redevelopment Board of Directors has been working on the Rising Sun Estates housing project. They called for the joint meeting to provide each entity an update on the project and to formally request financial assistance to move the project forward.

Randy Thompson explained that the HRA has been working on a proposed 48 unit town-home project, The Rising Sun Estates. The SW MN Initiative Fund has recently approved a \$200,000.00 loan for the project where only the interest will be required for the 15 year repayment. The HRA would then be required to repay the principal to the Initiative Fund at the end of the fifteen years. Today the HRA is asking that the City Council and Water & Light Commission each approve a loan for \$800,000.00 at an interest rate of 1.5% over thirty years. The City Council has previously approved a cash gift of \$25,000 towards the project and it is hopeful that the Public Utilities will do the same.

Mr. Thompson stated The project would consist of a 48 unit town-homes. There would be 32-3 bedroom units and 16-2 bedroom units. Miller-Hansen Architects from Minneapolis are the architects on the project, with Southwest MN Housing overseeing the project. HRA has received quotes from Highland Manufacturing and also Northstar Homes out of Marshall, MN. An earlier quote had been received from Highland Manufacturing but last fall after a management change it was determined that the quote was not accurate, another one was submitted and added approximately \$20,000 per unit to the cost which makes the Highland Manufacturing quote just

under \$140,000. The quote from Northstar Homes came in just under \$135,000. Discussion was held on the importance of using the local contractor as the employees own homes in Worthington and Nobles County. HRA board members agreed and stated that they have had numerous meetings with Highland but have not been able to come to an acceptable agreement to make it happen.

Randy Thompson stated that the monthly rental rates would be \$950.00 for the 3 bedroom units and \$850.00 for the 2 bedroom units. Mr. Thompson explained the income figures are being based on 93% occupancy. Council Member Wood raised concern on what the contingency is for the first 3 to 5 years if there is not full occupancy. Mr. Thompson stated that there is a contingency built in with a lease up reserve account of \$67,000 and an annual reserve of \$9,000, with a debt coverage ratio of 1.16.

Brad Chapulis, Director Community/Economic Development reminded Council that they had already approved the \$800,000 loan at an interest rate of 4.5% back in April, 2013. All they would need to do is amend the interest rate.

A motion was made by Council Member Kuhle, seconded by Council Member Sankey and unanimously approved to amend the interest rate from 4.5% to 1.5%.

A motion was made by Water & Light Commissioner Donovan, seconded by Commissioner Wood to approve the \$800,000 loan and one time cash contribution of \$25,000. Commissioners voting in favor of the motion were Elsing, Wood, Hoffmann and Donovan. Commissioner Thompson abstained from voting. Motion carried.

### **BUSINESS SUBSIDY POLICY**

Brad Chapulis, Director of Community/Economic Development stated that a few members of City Council have inquired about the purpose and intent of the City's current business subsidy policy, which was adopted in 1999. A copy of the current policy for Council's use and reference is included.

Council Member Nelson stated that his opinion is to move the dollar amount to the \$12.00 or \$13.00 range without benefits.

Council Member Wood stated that the wages need to be moved up to afford market housing.

Mayor Oberloh asked if staff could put together comparables and bring the information back to Council. Craig Clark stated that staff will compile the information and bring back to Council in April.

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**ADJOURNMENT**

The motion was made by Council Member Wood, seconded by Council Member Kuhle and unanimously carried to adjourn the meeting at 8:17 a.m.

Mindy Eggers, MCMC  
Assistant City Clerk