

**Glyndon City Council**

**3/6/2017**

10:30 a.m. Special Feasibility Study Meeting  
Glyndon City Hall Council Chambers

1. **Call to Order:** Mayor Cecil Johnson called the meeting to order at 10:30 a.m.
2. **Roll Call:** Council Members Present: Dave Owings, Justin Schreiber, Joe Olson and Kimberly Savageau, City Clerk Wendy Affield, Maintenance Supervisor Scott Lofgren, City Attorney Ken Norman, City Engineer Chris Thorson and City Financial Advisor David Drown.

**As Per Sign in Sheet:** Leslie Sullivan, Austin Sullivan, and Kelly Richards.

3. **Discussion Concerning the Feasibility Study on the Proposed Southview Addition with Feedback from the City's Financial Advisor, David Drown** – Drown stated the City is moving forward, the replat for the Development has gone through the process and was approved. The Feasibility Study has good information in it and has been reviewed by the City Council and Developers. Drown indicated this is a workable project for the City of Glyndon. The Feasibility Study rates the Subdivision and the cost estimate into two separate developments listed for the westerly addition, owned by Kelly Richards, with 83 lots, regional retention pond, and city park; the easterly development, owned by Jim Sullivan, with 53 lots. Drown did not include the retention pond, pump and the sanitary sewer lift station costs in his study because it is needed for both additions. The primary developer, Kelly Richards, has petitioned for this to be a public improvement which would have one hundred percent (100%) of the cost assessed to the benefited property, the pond and lift station portion will be assessed to Sullivan's Development also. Sullivan will be petitioning for his portion of the public improvement project in the near future.

The estimated cost for the project is \$3,395,000 with annual payments of \$230,000. One hundred percent (100%) of the costs will be assessed to the property owners. The process for assessing the property will be identifying certain dollar amounts to each parcel and the property owner would be responsible to pay those amounts. The City would then certify those dollar amounts with the County and they would help the City collect the money by putting a payment on the property tax statement. The funds collected from the special assessments will need to cover the annual bond payment one hundred percent (100%). The developer has asked for assessments not to be required for payment until 2019. This will allow the Developer time to sell lots to generate cash flow, which is needed to pay the assessments on lots that have not sold in the development. The assessments are based on a twenty (20) year payment plan. The interest rate on the assessments will be approximately four percent (4%). A security issue for the City is a concern if the assessments are not paid the City is relying on the assessments to cover the bond payment. The City needs to have a security plan in place if this were the case. Drown stated the Developer and the City need to partnership in the risk of this development, which is not uncommon. The majority of the risks will be on the Developer.

Drown stated the Developer will purchase a Letter of Credit from a bank, if they do not pay the assessments on the property, the City can request payment from their bank and they will immediately cover the assessments. Banks typically issue a Letter of Credit to cover 15% of assessments which will only cover a few years in assessment payments. Drown suggests

everything is in the correct location. Norman stated the good thing is at this point in time all it has to do is about the Southview Addition, this should have been done to the subdivision Richards is now developing. If we knew of this problem before, the City would not have approved the plat. Schreiber commented on how some of the pins have been moved. Norman stated, technically it is against the law to move pins but they do get moved over the course of time, such as a person might mow a bit farther onto someone else's property, sheds get moved, and fences are built that have encroached on others' property. Under Minnesota State Statutes, if you have continuously been there for 15 years, the property may become yours because you have used it. This is called Adverse Possession. Schreiber asked if original pins were moved during construction and were put in new locations, what argument does the land owner have to base their current, as they know it, property line? Those arguments would need to be resolved by the landowners who may need to pursue their own engineers and/or legal services. Norman stated the City Engineers should not be trying to resolve this issue but need to make sure the new plat is accurate. Carlson received an Exhibit from LJA showing the overlapping of eight (8) lots; six (6) of them to the west and the other two (2) lots to the south. Carlson stated some of the lots have two to three feet (2'-3') differences, some are worse than others. Carlson is trying to reconstruct what happened since only eight (8) out of thirty some lots were affected in Centennial. Owings asked Norman if the City is liable since they approved the plat. Norman stated, when the City approves a plat whether or not the plat conforms to the various regulations, infrastructure, streets and appropriate easements the City requires in terms of its location, no, the City is not liable, they are not surveyors. The landowner/Developer hires the engineers to prepare, survey and certify that everything on the plat is accurate. Norman stated the replat wording says the real estate was sold in lots and blocks of the Centennial Addition, so the lots should have hinged together, they should have used the existing pins to begin with. Carlson stated there were no found irons on the replat. Savageau stated it is a state law to have pins in every corner of a lot and every change in direction within one year of the platting process. Kimberly addressed the Centennial Plat located on the easel showing where it states they have found iron monuments at the corners of every lot line within that addition. Savageau stated the irons are not indicated on the plat of Southview. Norman's professional opinion is LJA Engineering should correct this issue since they were the surveyors. Mayor Johnson asked if lots in that area can be sold before the issue is resolved. Norman declined comment. Richards informed Council he is working on this situation and it will be straightened out before he sells lots in that location. Richards stated he has some options for a solution to the pinning issue and drawings of encroachments to present to the homeowners. He does need a unanimous decision by all the effected homeowners. Earlier this year, Shaun Erickson asked the surveyors from LJA why they were starting from a different pin location? Their response was, Richards accepted the new monument. Richards stated he did not accept anything and once he has more information he will come back to Council. Norman stated moving forward, if there is another subdivision, the City will not sign off on another plat until the City is assured there are no pinning or lot boundary issues. Norman stated the City can step in and help with what they can but it does remain a homeowner's property dispute. Norman pointed out there will be a market issue if there is a problem with encroachments and lenders may not approve loans for the property.

**b. Approve Agreement with Seters for Property needed for a Storm Water Retention Pond for the Parke Avenue Project** – *(Approval Conditioned upon receipt and inclusion of accurate legal descriptions for purposes of recording)* – Carlson stated the Agreement will be contingent on an accurate legal description and they are requesting a Title Opinion. Norman stated the City needs an accurate legal description that reflects what they own and where the exact split will be on the property. Owings asked if we can approve the agreement without the accurate legal description. Norman stated it can be done with the stipulation of attaining an acceptable and accurate legal description because, in principle, the agreement does not change. In order for the agreement to be recorded, it does have to have an accurate legal description.

A motion to approve the Agreement with Seter's upon the accurate legal description to be reviewed by Ken Norman, Kris Carlson and Kimberly Savageau was made by Dave Owings, seconded by Justin Schreiber. All in favor.  
Motion Carried.

The upside of the Southview Addition is with 83 lots and homes pricing out at approximately \$330,000, the property tax rates in Glyndon should decrease over time. The tax revenue would help with the costs of the Parke Avenue Project, plowing the streets, and additional police protection. Mr. Drown's recommendation is to proceed with the Sullivan Addition. Mayor Johnson asked when we would see tax revenue from the new homes built in the development. Savageau stated there is a 2 Year Tax Abatement, which is capped at \$200,000 with full tax revenue funds starting in 2019, 2020 and the full tax amount in 2021.

Schreiber asked if Mr. Sullivan waits to proceed with his development, would a second bond be needed? Drown stated it would be needed and would still work out for all parties involved if things are delayed. When the Feasibility Study is complete and it is determined the project can move forward, the Engineers will put together the plans and specks so they can request bids from the contractors. Once this is complete, it will be easier to estimate the total dollar amount for the project and decide whether to proceed or not. Sullivan's were hoping to open the bid requests on April 12, 2017.

Schreiber asked if costs run higher will it all be put into the bond? Drown stated it depends on the size of the contingency the developer wants to include in the bond. Sullivan stated they are requesting a 10% contingency amount in the bids. Drown stated 100% of the cost, including the contingency costs, will be assessed to the property owners. If a problem develops, it will be discussed amongst everyone as to how to proceed. Ken Norman asked Thorson, 'No matter where we develop in Glyndon, we are still going to have those massive costs associated with the drainage issues, are we not?'. Thorson stated, yes but it also depends on the site or location of the project.

Savageau asked about the TIF District that is already set up, does it sit idle until we are ready to move forward, is there a deadline? Drown reported, it cannot sit idle, the law states properties that are in abatement cannot be in a TIF District. To certify the TIF District, you would have to cancel the abatement on the portion of property you want in the TIF District. Drown informed Council the questions concerning the TIF District are, when do we use it, how do we use it, or when do we get rid of it? Drown stated, it has been sitting idle for six months and can continue up to two or three years. Norman stated the area may need to be amended. Drown suggested not to focus on TIF right now, but to revisit at a later time. Olson asked, assuming the worst-case scenario, the City has to take on the residential development, are they less of a risk than a business development? Drown asked Ken Parke to relay his experience regarding a 75-lot subdivision in Dilworth. Ken Parke reported, in the year of 2006 the Summerwood Addition with 75 lots started in Dilworth, 65 of the lots went back to the City of Dilworth and it took 1½ years before the special assessments were certified and Developers needed to start making payments. The economy took a turn for the worse in 2008 and the City of Dilworth did not have pledged securities in place except signed blank Quit Claim Deeds held in escrow. The first assessment payment was not paid in May of 2008 and October's payment was coming due so the Developer held a land auction to try and liquidate the lots quickly. People were skeptical about purchasing the lots so the City of Dilworth took control of the 65 lots and had to try and sell them to recoup the specials the City was responsible to pay. The specials averaged approximately \$45,000 per lot and interest rates were high. Parke reported it did take some time to sell the lots and now the development is an attractive subdivision in the City of Dilworth with \$400,000 to \$450,000 homes. Dilworth had to levy taxes to make the bond payments for a few years but when the bond payments are complete there will be excess revenue in the general fund.

Drown stated there is always a risk when developing a new addition because, if by chance, they default to the City, selling lots at cost of the special assessments is one way to try and break even.

Schreiber asked if the three (3) lots that are to be assessed are current or future home owners. Drown stated they are current owners, if the improvements benefit the lot they can be assessed. The lift station and planning improvement costs of approximately \$3,000 will be assessed immediately because that work will be done but the street assessments would not start until the improvements are installed.

Olson asked about the \$5,000 Letter of Credit security and wondered if there are soft costs that should be considered when budgeting for improvements? Drown stated, one soft cost will be the processing of bond payments at approximately \$750.00 per year. The biggest immediate and hidden costs will be the maintenance of the streets, such as the snow plowing. If there is a TIF District, there will be certification costs of special assessments. TIF money from Phase I is a source of revenue that will help cover these costs.

Olson asked if there will be a budgeting package that will include the Parke Avenue Project, Water Main Looping Project, Southview Addition and Sullivan's Addition to see what the City's budget for projects will look like? Drown stated he will put something together to show the overall projects that will be taking place in the next few years. Thorson asked Drown since bonds are at a 4% interest rate, which is billed to the County, can the City add on another 1- 2% for other costs associated with the project when the City files the special assessments? Drown said it is allowed to charge interest on assessments and 3/4 of a percent has been added on already.

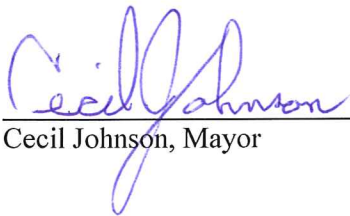
Owings stated the biggest hurdle the City has had in the past is the Developer's Agreement.

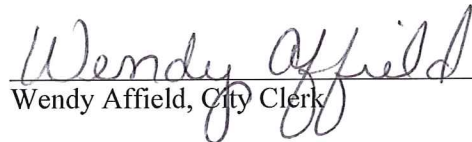
**4. Open Forum –**

**5. Adjournment**

A motion was made by Justin Schreiber, seconded by Kimberly Savageau to adjourn at 11:45 a.m.

Motion Carried.

  
Cecil Johnson, Mayor

  
Wendy Affield, City Clerk

March 6th, 2017 Special Feasibility Study Minutes