

**APPROVED MINUTES
OF THE CITY
COUNCIL MEETING
CITY OF EAST GRAND FORKS
TUESDAY, NOVEMBER 24, 2015 – Following the Work Session**

CALL TO ORDER:

The Meeting of the East Grand Forks City Council for November 24, 2015 was called to order by Council President Mark Olstad at 6:01 P.M.

CALL OF ROLL:

On a Call of Roll the following members of the East Grand Forks City Council were present: Mayor Lynn Stauss, Council President Mark Olstad, Council Vice-President Chad Grassel, Council Members Clarence Vetter, Mike Pokrzywinski, Craig Buckalew, Henry Tweten, and Marc DeMers.

DETERMINATION OF A QUORUM:

The Council President Determined a Quorum was present.

1. Discussion with Valley Golf Representatives regarding requested tax abatement.

Council member Pokrzywinski welcomed the representatives from Valley Golf and asked them to introduce themselves and say what their role is. Mr. Jay Frydenlund stated he was the President of the board, Mr. Larry Sloan introduced himself as the Vice-President; Mr. Dan Filipi stated he was the treasurer, and Mr. Dave Garrett said he was the secretary. Council member Pokrzywinski said the reason why he was starting was because Valley Golf approached the City and the EDA about adjusting the terms of their loan. He said the EDA Board has agreed to re-loaning up to the original amount of the loan as well as giving a vacation of the resumption of the payment and asked Mr. Gorte to fill in the details.

Mr. Gorte explained they were looking at refunding the loan which would have been approximately \$75,000 in additional funding as well as a five year period where payments were not required but interest would be accruing. Council member Pokrzywinski said the history of this was that the levy system cut through the golf course which changed the course and put them in a difficult position as well as a substantial amount of debt to rebuild the clubhouse. He said they have also been hit with property taxes with a change in the classification going from under \$10,000 per year in taxes to \$40,000 a year in taxes. He added there have been more struggles they have had. He continued to say there are some difficult choices if a golf course is going to be kept in East Grand Forks. He said from what he has learned and from the people that he talked with they do want to keep it, it is a nice amenity, and there is a lot invested in the north end development. He said the City should go all in to make sure that Valley Golf is a great viable course that attracts members, golfers, and makes the development attractive so people move in and build homes.

Council member Pokrzywinski said the request from Valley Golf is for a five year tax abatement. He added there was discussion about a ten year abatement but that stretches the Council to make a commitment longer than most would be comfortable with. He said in five years this can be looked at again and by that time there may be some help from the State or property tax relief. He continued saying there were several other components which the City should partner with Valley Golf and to help make sure they turn things around and get back to a profitable golf course. He mentioned the EDA Board is working on many bold and aggressive ideas for the north end.

Council member Tweten asked about the increase in their taxes and asked if the City should try and get the classification changed through legislation. Council member Pokrzywinski said the City should try everything we can but this was the immediate solution allowing them to stay operational. Council member DeMers asked what the City's legal ability to abate and if there was a limit on what was allowed. Mr. Galstad said abatements were done all of the time and the Council would be allowed to abate the City's portion of the taxes. He said they would also have to speak with the school and county for their portions. He said he would have to look into what length of time would be allowed. Mr. Gorte said the City uses abatement for the residential program as well as when it is covered by tax credits for industrial or commercial properties. He said he did not find any situations where taxes were abated and not back filled like in this situation. Council member DeMers said he thought the residential tax abatement was allowed by state statute. He said the City has done this in specific cases and asked to have this checked into before this goes too far. Mr. Gorte said the materials from DEED identify tax abatement as something local communities can do at their own discretion.

Mayor Stauss said he wasn't sure what year it was but the Governor changed the property tax on golf courses and this may be something they will not be willing to just let it go. He said the City does not want to own the golf course but asked what if the City owned it and leased it to them. Mr. Galstad said Pawlenty changed the rules so even though the land is owned by the City, by virtue of them leasing the property it becomes taxable to them. Mayor Stauss worries about five years down the road where things will be at and asked if the golf courses in Grand Forks make a profit. Mr. Frydenlund said both courses were owned by the City of Grand Forks so it is a tough comparison. Mr. Sloan said the park district in Grand Forks assesses tax and last year there was \$140,000 given to King's Walk and \$30,000 was given to the Lincoln course from the park district because they are a taxing body.

Council President Olstad asked them to review the process that was done up to this point. Mr. Frydenlund said they hadn't talked with the County at this point but did have an agreement in kind with the school that if the City approves the abatement the School would agree to that as well. He said if positive progress was made they were then going to contact the County. Council President Olstad asked if it was approximately \$11,000 per year in taxes the City would collect from the golf course. Mr. Gorte said that was correct. Council President Olstad said it would be approximately a \$55,000 impact. Mr. Filipi said it was approximately \$11,500 for the City based on the 2015 taxes, \$4600 for the school, and \$8,900 for Polk County.

Mayor Stauss said it was mentioned about the levy going through the course and how things really took off for a while. He stated how things seem to change about five years ago and asked if they had any reasoning on why that happened. Mr. Filipi said it really took off when Lincoln changed from an eighteen hole course to a nine hole course. He added that King's Walk wasn't up to where it is today and they had the benefit of more people playing.

Council President Olstad said he wanted to review things so everyone has the understanding what the impact would be and where things are at. He asked if the school had agreed to a five year abatement. Mr. Filipi said the school will match what the City does. Council President Olstad said if the five year abatement is agreed upon by all three entities that would equal to approximately \$125,000 along with working with the EDA on other things he asked what they will be able to do or what the plan was. Mr. Filipi said if they were able to get the \$75,000 they would be paying the real estate taxes which they currently were in arrears on by approximately \$21,500 for the second half of the year because they didn't have the money. He added it would also allow them to pay next year's taxes and that would be it.

Council member Pokrzywinski recommended what the City does is like one leg of a three-legged stool and the other two legs being Valley Golf along with their users, and the financial institution that is involved. He said there is very little that can be done in the financial world. He stated the staff, board, and members of Valley Golf need to promote what they have going on out there and building their customer base. He explained how they will be partnering with the EDA and the things the EDA has going on in marketing the development out there. He said he can't make any predictions but he promised that they will be working very hard. He added he was optimistic with the new management of the EDA that things will start taking off out there. He stated the other alternatives are the City taking over the golf course or the golf course closing and that neither of them are good options. He said it is not something he will allow to happen while he is on the Council.

Council Vice-President Grassel asked if the loan was re-amortized to \$75,000 with no payment for five years had to be on a separate resolution or if this could all be put on one resolution. He said the money was going to come out of the 280 account so the EDA would need to have the City's approval to do so. Mr. Gorte explained there would be a resolution dealing with the tax abatement and then a resolution accepting and approving the EDA actions regarding the loan. Mr. Frydenlund commented the five year freeze on the loan is new information to them. He said the tax abatement would allow them to get moving in the right direction. He stated the \$75,000 loan would be a last course of action to make sure they have their bills paid but the tax abatement would get them going into the next year. He continued saying they have a good five year plan and they have good people in positions to make a change. He said again the information about the loan is new information to them.

Council member Pokrzywinski said the loan and different terms had been discussed but the golf course would like to pay the loan off. He said that would give them breathing room but he didn't think it was all together necessary. Discussion followed about what had been discussed regarding the current loan. Mr. Filipi said different terms were in discussion only and was not something they requested. He added the last time they met he had presented part of their budget and that they are still trying to get eight years out without trying to re-amortize the loan. He said so many things are paid off eight years from now which would include the loan with the City if it is not re-amortized. He added the bulk of the City special assessments will also go away. He said the payments would total up to approximately \$65,000. Council Vice-President Grassel asked they are saying they do not want the \$75,000. Mr. Filipi stated he wasn't saying that but they haven't officially requested it yet. Council Vice-President Grassel said the Council did not have to act on that yet then.

Council member Vetter asked if the Council approves the tax abatement how it would get paid for. He commented that the housing tax abatements program brings in new property which is a benefit for the

City. He said the State reimburses the City for the other tax abatements for industrial and commercial properties so the City is not losing any money on those. He commented the current budget only had a cushion of \$53 and asked where the remainder was going to be coming from. Council member DeMers asked what the requested abatement dates were. Mr. Gorte said it would be 2016 through 2020. Council member Pokrzywinski asked if an abatement was done would it be cut from the budget or would the levy amount be the same and spread out over the rest of the properties, or would it have to be found in the current budget. Mr. Murphy said if the abatement is approved the money is given back so it would have to come out of the current budget so it would not be spread out among the other properties. Council member Pokrzywinski said that was not his understanding of it from the last time it had been discussed.

Mayor Stauss stated the City has been paying over \$100,000 a year in special assessments. He asked if the City sold some lots, could those funds be used, and he wasn't sure if enough lots could be sold to cover that amount. Discussion followed about all of the different things those funds are earmarked for. He said whatever way they look at it the City will have to help if they want to keep the golf course and added how it is needed in the community. He said that a lot of money is spent on recreation for the community and he believes if there is some way to help keep them in operation the community will be better because of it. He added the golf course will help in trying to sell the lots on the north end so if there is a way it can be worked out the City should do it.

Council member DeMers asked what the membership was like at the golf course. Mr. Frydenlund said it ranges from 200 for a high and down around 170 for a low. Council member Buckalew said he agrees with the Mayor that his amenity is needed in the community and if they shut down it will be a very big eyesore. He said his concern is the cash flow that is needed for replacing equipment and doing the things that are needed. He said it had been mentioned around \$60,000 per year number as a cash deficit and asked if that was correct. Mr. Filipi said it depended on what they did with equipment. He said they had looked if they did replace everything it was around \$100,000 but more than likely it will be around \$60,000 for equipment that will be leased over the next five years. Council member Buckalew said his concern was that if they get \$40,000 per year back from taxes they are still short. He said the difference between coming up with \$11,000 compared to \$140,000 if the City owned it and had to operate it. He commented again that he is still concerned about the \$25,000 shortfall and would like to see how they will be coming up with the difference.

Mr. Frydenlund said they hired a course superintendent who is changing things around for the better. He said a lot more was spent on the course to get things where they needed to be. He stated the second thing is they have been working on how to create more revenue by looking into corporate sponsorships and the pro shop manager who will be creating revenue possibilities for next spring. He added they will be doing everything they can as a board, they have good people in place, and they are hoping for a kick start in the right direction to get things back on track financially.

Mr. Murphy said he wanted to follow up about Council member Pokrzywinski's question. He said when a Council passes a property tax levy a certain amount of those taxes just don't come in. He stated an example is the golf course not paying a portion of property tax, that amount will not be coming in, and it is for reasons like that City's have a fund balance. He explained some years more is made if a tax forfeit property is sold and other years less comes in because of the tax delinquent properties. Mr. Murphy commented how if they don't pay taxes next year the City would not be

collecting the \$11,000 anyway and then would be covered by the fund balance. He said he just wanted to clarify.

Council member Pokrzywinski said he just had a couple more things. He stated he was going to say what Council member Buckalew said, yes it is \$11,000 if the Council moves forward with this and asked how much would it be if the City would run a municipal golf course. He stated that would be a really big number and it wouldn't be run as well as in the private sector. He added he thinks the City is committed to doing this and asked how easy it would be to attract people to build new homes in the development. He said that it adds to the value of the land and development and ensures there is a real possibility of growth on the north end. He stated one final thing that had been discussed with Valley Golf board members which was that with this commitment made between them and both the City and EDA, that it is appropriate for the City to have greater oversight. He said they were very open to have representatives from the City sit in on board meetings which is something the public would expect and it is the responsible thing to do.

Council member DeMers asked if any market analysis had been done regarding membership fees. Mr. Sloan said that was something they do on an annual basis, review rates, and try to keep a competitive rate. He said as they go forward the rate should be able to be increased because of a variety of reasons. He stated they look at where things are at and if they can raise rates without suffering ill-effects from it. Council member DeMers asked what the ratio of people who play that are from East Grand Forks residents versus people from out of town. Mr. Frydenlund said he didn't have that information but majority of those with memberships were from East Grand Forks. He added that if they have a quality product the number of people from Grand Forks that come over and play increases. Mr. Sloan said they do have some people from Grand Forks since the rate is a little better at Valley Golf.

Council President Olstad said he is more than willing to move forward and vote on this the following week. He added how the golf course is a great asset to the City, that it is great the City and Valley Golf can work in a partnership moving forward especially with the City lots available up there. He said something should be done and he is willing. Mayor Stauss said originally the stock holders each put in \$1000 or \$500 and asked if there were any way they would be able to collect something like that again. He stated that is how it was started which is the same way many things were started in East Grand Forks. Mr. Frydenlund said it was tough to do. Council member Pokrzywinski stated they had tried doing that.

Council member Buckalew said was familiar with the process in Arizona called the preservation fund. He said it is like the legacy fund. He said with the sale of any property there is a fee that goes to a recreation group to support and keep up the recreation facilities. He added he didn't know what it would take from the City perspective, how some years the amount being collected could be different depending on the economy, and asked if that was something that could be done in Minnesota. Council member DeMers said the City already has a park dedication fee that go with new plats. Council President Olstad added that it could be park dedicated land. Mr. Murphy said during early 2000s leading up to 2008 he said it was very common for cities to add on fees to lot sales where funds would even go to schools. He said it was doable in Minnesota but it can be controversial.

Council Buckalew said there had been discussion about if the sales tax should be a half percent or one percent. He added there were provisions that this can't be used for operation deficit but it can be used

for assets and so forth. He asked there would be support something at Valley Golf with an additional half percent. Council member Pokrzywinski said his concern was that if things kept getting added on to what the sales tax would be used for and it will not get passed. He added the Council should keep it simple, getting that passed is the number one priority as well as getting it approved by the State Legislature. Mayor Stauss added he wasn't sure if the State legislature would support it if some of the funds were going to a private entity.

Council member DeMers said he could get behind of an abatement project but he would like to meet in the middle as far as a rate hike. He said if Council commits the City to this the members and those that use the golf course need to show that they are willing to step up as well. He added that it is an asset to the City but it is also an asset for those that use it. Council President Olstad asked if Council member DeMers was asking the golf course to implement a rate hike on their memberships. Council member DeMers said he doesn't know if it would be for memberships or green fees. Council Vice-President Grassel said if that happens the golf course may be priced out of membership so the Council will need to be careful of what demands are put on them. Mr. Frydenlund said they typically raise the rates every two years but it is something that is looked at every year and is addressed on a yearly basis.

Council member Vetter said the Council should maybe pass a two year abatement because the golf course is talking about marketing and things on their end and revisit this in two years. He added if things have taken off they may not need a five year abatement. He added he will need to know how this will be paid for before he votes on it. Discussion followed about how long of an abatement should be allowed. Council member Pokrzywinski said he was in favor of putting a five year abatement before the Council and if that fails then move on to the next level.

ADJOURN:

A MOTION WAS MADE BY COUNCIL MEMBER GRASSEL, SECONDED BY COUNCIL MEMBER POKRZYWINSKI, TO ADJOURN THE NOVEMBER 24, 2015 MEETING OF THE EAST GRAND FORKS, MINNESOTA CITY COUNCIL AT 6:47 P.M.

Voting Aye: Buckalew, Tweten, Olstad, Grassel, DeMers, Vetter, and Pokrzywinski.

Voting Nay: None.

David Murphy, City Administrator/Clerk-Treasurer