

Kathleen McCullum
Clerk/Treasurer
320-532-3311 Telephone

CITY OF ONAMIA
621 West Main Street
PO Box 186
Onamia, MN 56359

Larry E. Milton
Mayor
320-532-3434 Fax

Pursuant to due call and notice, the special meeting of the Onamia City Council was called to order on Wednesday, April 28, 2004 at 5:00 p.m. by Mayor Larry Milton. Trustees present: J. Kryzer, B. Mickus, B. Hill and M. Loch. Absent: None. The meeting had been called to discuss and pass resolutions for TIF and business subsidy (Holbert and Agnew) and to discuss the community center project, approval of beer licenses for Onamia Days and July 3 and other City business.

Audience members present: B. Holbert, Steve Kuepers, Chad Conner, Rebecca Kurtz, Julie Vreeland, S. Agnew and Bob Hoefert.

Brock Holbert explained that there will be a common wall between the hardware store and Noblewear; however, there will be two property descriptions and plats. Parking will be shared. L. Milton informed B. Holbert that a project with a common wall is not addressed in our zoning ordinance; however, because the project will originate as one building with a portion being sold to Agnews, no one felt that this needed to be addressed as a separate issue.

Motion by B. Hill, seconded by J. Kryzer, to approve the preliminary plat of Trail Side Center as presented. Motion carried.

Discussion followed on TIF and business subsidy proposals. Motion by B. Mickus, seconded by M. Loch, to pass Resolution 042804A - a resolution adopting a policy and criteria for granting business subsidies. Motion carried. B. Hill had questions about the policy. Rebecca Kurtz (Ehlers & Associates) explained that changes can be made or the policy can be updated annually. Brock Holbert has already agreed to pay the developer's fees and related costs. As this project was initiated before D& J Hardware store was put up, the Council sees no conflict with the provisions of the policy.

Motion by B. Hill, seconded by J. Kryzer, to pass Resolution 042804B - a resolution adopting a modification to the development program for the Onamia Development District and establishing TIF District 1-4 and adopting a TIF plan. Motion carried.

Motion by B. Hill, seconded by J. Kryzer, to pass Resolution 042804C - a resolution approving a contract for private redevelopment between the City and Brock Holbert/Noblewear. (Noblewear Gift Shop). Motion carried.

Motion by B. Mickus, seconded by M. Loch, to pass Resolution 042804D - a resolution approving a contract for private redevelopment between the City and Brock Holbert/Noblewear

(The Noblewear Project). Motion carried.

Motion by B. Hill, seconded by J. Kryzer, to pass Resolution 042804E - a resolution approving a contract for private redevelopment between the City and Agnew Hardware. Motion carried.

Motion by B. Mickus, seconded by B. Hill, to pass Resolution 042804F - a resolution adopting a modification to the development program for the Onamia Development District, the modification of TIF plan for TIF District 1-1 and establishing TIF District 1-3. Motion carried.

Final plat approval should be given at May 12, 2004 Council meeting if plans presented properly and storm water plan presented.

Motion by B. Hill, seconded by J. Kryzer, to approve Onamia Days and July 3 street dance beer licenses for Onamia Civic Association. Motion carried.

J. Kryzer will get quote on blacktopping alley behind post office. He has had no contact with R. Wadino as yet. We will need some kind of lock box for people to deposit their camping fees at camping area at Depot.

L. Milton told Council that five meetings have been held on the bids received for the community center. Contacts have been made with contractors to make sure comparisons were made between apples and apples and oranges and oranges. Motion by B. Mickus, seconded by J. Kryzer, to award material bid to Onamia Lumber. Their bid is \$156,619.07. Motion carried. L. Milton pointed out that at some point in time, items may be added or subtracted as needed.

Motion by M. Loch, seconded by B. Hill, to accept plumbing bid from Jensen-Anderson of \$23,068.00. Motion carried. Larry asked if we would save a substantial amount of money if we supplied the water meter.

Motion by J. Kryzer, seconded by B. Hill, to accept labor bid of \$74,000.00 from DeVries Construction. Motion carried.

Motion by B. Mickus, seconded by M. Lock, to accept concrete bid of \$50,500.00 from Willis Concrete. Motion carried.

Motion by M. Loch, seconded by B. Hill, to accept K-J Carpet bid of \$18,000.00 plus milkboards plus labor and extra materials for shower stalls. Motion carried. The whole lower level of the building will be tile with the upstairs access done in carpeting. Upstairs storage area will be tiled.

B. Hill recommended that Milton Excavating bid be accepted of \$6,390.00. Schneider's bid was

\$6,626.00. Bill pointed out that we will have to buy more sand regardless of who gets the bid - then both bids would be approximately \$10,000.00. Motion by B. Mickus, seconded by J. Kryzer, to award evacuation bid to Milton Contracting. Motion carried. Abstain: L. Milton.

Motion by B. Mickus, seconded by M. Loch, to award electrical bid to Leach Electric. Motion carried. Abstain: L. Milton and J. Kryzer. Bids received were \$39,300 from Rike and \$38,875 from Leach.

All bids to be awarded contingent upon proof of licensing and insurance being provided by all contractors.

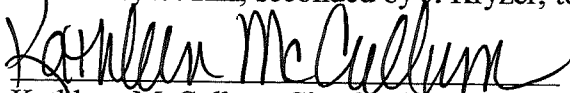
Clerk to write letters to contractors whose bids were not awarded.

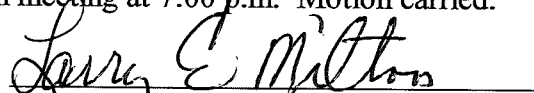
Motion by J. Kryzer, seconded by M. Loch, to close out Milaca bank account for Lions project and transfer to Woodlands checking account. Motion carried.

Council members authorized payment of contractor down payments when and if necessary and authorized committee members to make adjustments when necessary. Moving of culvert will be given to Chad Milton who will charge time and materials.

Tom and Frank will remove hay by Monday, May 3.

Motion by B. Hill, seconded by J. Kryzer, to adjourn meeting at 7:00 p.m. Motion carried.


Kathleen McCullum, City Clerk-Treasurer


Larry E. Milton, Mayor

CITY OF ONAMIA
COUNTY OF MILLE LACS
STATE OF MINNESOTA

RESOLUTION NO. 042804 A

RESOLUTION ADOPTING A POLICY AND CRITERIA
FOR GRANTING BUSINESS SUBSIDIES

WHEREAS, Minnesota Statutes, Sections 116J.993 through 116J.994 (the "Statutes") require the adoption of a policy and criteria for the granting of business subsidies as defined in the Statutes; and,

WHEREAS, the City of Onamia (the "City") has determined that it is necessary and appropriate to adopt a business subsidy policy and criteria pursuant to the Statutes; and,

WHEREAS, the City has performed all actions required by law to be performed prior to the adoption and approval of the proposed business subsidies, including the holding of a public hearing upon published notice as required by law on April 28, 2004 (*special meeting*).

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Onamia, that the business subsidy policy and criteria, contained in Exhibit A of this resolution are hereby approved, ratified, established, and adopted and shall be placed on file at City Hall.

Dated: April 28, 2004

ATTEST:

Mayor

Deputy Clerk

Janet McCullum
Clerk

EXHIBIT A

CITY OF ONAMIA

Business Assistance Policy

1. PURPOSE

1.01 The purpose of this policy is to establish **the City of Onamia's** position as it relates to the use of **Tax Increment Financing, Tax Abatement and other business assistance programs for private development**. This policy shall be used as a guide in processing and reviewing applications requesting business assistance.

1.02 The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. *Minnesota Statutes 116J.994, Subd. 2*, allows the City to deviate from its criteria by documenting in writing the reason for the deviation and attaching a copy of the document to its next annual report to the department.

2. STATUTORY LIMITATIONS

2.01 In accordance with the **City of Onamia's Business Assistance Policy**, assistance requests must comply with applicable State Statutes.

3. ELIGIBLE USES FOR THE RECEIPT OF BUSINESS ASSISTANCE

3.01 As a matter of adopted policy, the City of Onamia will consider using a business assistance tool to assist private developments only in those circumstances in which the proposed private projects meet one or more of the following uses:

- A. To redevelop blighted or under-utilized areas of the community.
- B. To meet the following housing-related uses:
 - 1. To provide a diversity of housing not currently provided by the private market.
 - 2. To provide a variety of housing ownership alternatives and housing choices.
 - 3. To promote affordable housing for low or moderate income individuals.
 - 4. To promote neighborhood stabilization and revitalization by the removal of blight and the upgrading in existing housing stock in residential areas.
- C. To remove blight and encourage redevelopment in the commercial and industrial areas of the City in order to encourage high levels of property maintenance and private reinvestment in those areas.
- D. To increase the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for it's residents while lessening the reliance on residential property tax.
- E. To retain local jobs, increase the local job base, and provide diversity in that job base.

- F. To increase the local business and industrial market potential of the City of Onamia
- G. To encourage additional unsubsidized private development in the area, either directly, or through secondary "spinoff" development.
- H. To offset increased costs of redevelopment, over and above those costs that a developer would incur in normal development.
- I. To accelerate the development process and to achieve development on sites which would not be developed without this assistance.

4. BUSINESS ASSISTANCE PROJECT APPROVAL CRITERIA

4.01 All new projects approved by the City of Onamia should meet the following mandatory minimum approval criteria. However, it should not be presumed that a project meeting these criteria will automatically be approved. Meeting these criteria creates no contractual rights on the part of any potential developer.

- A. The assistance shall be provided within applicable state legislative restrictions, State Auditor interpretation, debt limit guidelines, and other appropriate financial requirements and policies.
- B. The project should meet one or more of the uses identified in Section 3, Eligible Uses for the Receipt of Business Assistance.
- C. The project must be in accord with the Comprehensive Plan and Zoning Ordinances, or required changes to the Comprehensive Plan and Zoning Ordinances must be under active consideration by the City at the time of approval.
- D. The assistance will not be provided to projects that have the financial feasibility to proceed without the benefit of the assistance. Assistance will not be provided solely to broaden a developer's profit margins on a project. Prior to consideration of a business assistance request, the City may undertake an independent underwriting of the project to help ensure that the request for assistance is valid.
- E. Prior to approval of business assistance, the developer shall provide any required market and financial feasibility studies, appraisals, soil boring, information provided to private lenders for the project, and other information or data that the City or its financial consultants may require in order to proceed with an independent underwriting.
- F. Any developer requesting business assistance should be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed.
- G. The developer must retain ownership of the project at least long enough to complete it, to stabilize its occupancy, to establish the project management, and to initiate repayment of the business assistance.
- H. The level of business assistance funding should be reduced to the lowest possible level and least amount of time by maximizing the use of private debt and equity financing first, and

then using other funding sources or income producing vehicles that can be structured into the project financing, prior to using additional business assistance funding.

5. BUSINESS ASSISTANCE PROJECT EVALUATION CRITERIA

5.01 All projects will be evaluated by the Onamia City Council on the following criteria for comparison with other proposed business assistance projects reviewed by the City, and for comparison with other subsidy standards (where appropriate). It is realized that changes in local markets, costs of construction, and interest rates may cause changes in the amounts of business assistance subsidies that a given project may require at any given time.

5.02 Some criteria, by their very nature, must remain subjective. However, wherever possible "benchmark" criteria have been established for review purposes. The fact that a given proposal meets one or more "benchmark" criteria does not mean that it is entitled to funding under this policy, but rather that the City is in a position to proceed with evaluations of (and comparisons between) various business assistance proposals, using uniform standards whenever possible.

5.03 Following are the evaluation criteria that will be used by the City of Onamia:

- A. All proposals should, in the opinion of the City Council, optimize the private development potential of a site.
- B. All proposals should, in the opinion of the City Council, create the highest feasible number of jobs on the site. All proposals will meet the Business Subsidy Criteria established by the City.
- C. Business assistance will not be provided when the relocating or new business requesting assistance would be in competition with an established business in the community.
- D. All proposals should, in the opinion of the City Council, create the highest possible ratio of property taxes paid before and after redevelopment. Given the different assessment circumstances in the City, this ratio will vary widely.
- E. Proposals should usually not be used to support speculative industrial, commercial, and office projects.
- F. Assistance will usually not be used in a project that involves an excessive land and/or property price.
- G. All business assistance projects will need to meet the "but for" test. Assistance will not be used unless the need for the City's economic participation is sufficient that, without that assistance the project could not proceed in the manner as proposed.
- H. Business assistance will not be used when the developer's credentials, in the sole judgement of the City, are inadequate due to past track record relating to: completion of projects, general reputation and/or bankruptcy, or other problems or issues considered relevant by the City.
- I. Business assistance will not normally be used for projects that would generate significant environmental problems in the opinion of the local, state, or federal governments
- J. Business assistance funding should not be provided to those projects that fail to meet good public policy criteria as determined by the Council, including: poor project quality; projects that are not in accord with the comprehensive plan, zoning, redevelopment plans, and city policies; projects that provide no significant improvement to surrounding land uses, the

neighborhood, and/or the City; projects that do not have significant new, or retained, employment; projects that do not meet financial feasibility criteria established by the City; and projects that do not provide the highest and best desired use for the property.

- K. All projects receiving business assistance must create a minimum of 1 new full-time equivalent job in the community with a minimum wage of \$7.50 per hour.

CITY OF ONAMIA
PRE-APPLICATION
BUSINESS ASSISTANCE FINANCING

Legal name of applicant:

Address:

Telephone number:

Name of contact person:

REQUESTED INFORMATION

Addendum shall be attached hereto addressing in detail the following:

1. A map showing the exact boundaries of proposed development.
2. Give a general description of the project including size and location of building(s); business type or use; traffic information including parking, projected vehicle counts and traffic flow; timing of the project; estimated market value following completion.
3. The existing Comprehensive Guide Plan Land Use designation and zoning of the property. Include a statement as to how the proposed development will conform to the land use designation and how the property will be zoned.
4. A statement identifying how the increment assistance will be used and why it is necessary to undertake the project.
5. A statement identifying the public benefits of the proposal including estimated increase in property valuation, new jobs to be created, hourly wages and other community assets.
6. A written description of the developer's business, principals, history and past projects

I understand that the application fee will be used for City staff and consultant costs and may be partially refundable if the request for assistance is withdrawn. Refunds will be made at the discretion of the City Council and be based on the costs incurred by the City prior to the withdrawal of the request for assistance. If the initial application fee is insufficient, I will be responsible for additional deposits.

SIGNATURE

Applicant's signature:

Date:

CITY OF ONAMIA

Application for Business Assistance Financing

GENERAL INFORMATION:

Business Name: _____ Date: _____

Address: _____

Type (Partnership, etc.): _____

Authorized Representative: _____ Phone: _____

Description of Business: _____

Legal Counsel: _____

Address: _____ Phone: _____

FINANCIAL BACKGROUND:

1. Have you ever filed for bankruptcy? _____

2. Have you ever defaulted on any loan commitment? _____

3. Have you applied for conventional financing for the project? _____

4. List financial references:
a. _____
b. _____
c. _____

5. Have you ever used Business Assistance Financing before?

If yes, what, where and when?

PROJECT INFORMATION:

1. Location of Proposed Project:

2. Amount of Business Assistance requested?

3. Need for Business Assistance:

4. Present ownership of site:

5. Number of permanent jobs created as a result of project?

6. Estimated annual sales:

Present:

Future:

7. Market value of project following completion:

8. Anticipated start date:

Completion Date:

FINANCIAL INFORMATION:

1. Estimated project related costs:

a. land acquisition

\$

b. site development

c. building cost

d. equipment

e. architectural/engineering fee

f. legal fees

g. off-site development costs

2. Source of financing:

- a. private financing institution \$ _____
- b. tax increment funds _____
- c. other public funds _____
- d. developer equity _____

PLEASE INCLUDE:

- 1. Preliminary financial commitment from bank.
- 2. Plans and drawing of project.
- 3. Background material of company.
- 4. Pro Forma analysis.
- 5. Financial statements.
- 6. Statement of property ownership or control.
- 7. Payment of application fee of \$5,000.

**CITY OF ONAMIA
MILLE LACS COUNTY
STATE OF MINNESOTA**

Council member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. 042804B

RESOLUTION ADOPTING A MODIFICATION TO THE DEVELOPMENT PROGRAM FOR THE ONAMIA DEVELOPMENT DISTRICT; AND ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 1-4 WITHIN THE ONAMIA DEVELOPMENT DISTRICT AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.

BE IT RESOLVED by the City Council (the "Council") of the City of Onamia, Minnesota (the "City"), as follows:

Section 1. Recitals.

1.01. The City Council (the "Council") of the City of Onamia (the "City") has heretofore established the Onamia Development District and adopted the Development Program therefor. It has been proposed by the City that the City adopt a Modification to the Development Program for the Onamia Development District (the "Development Program Modification") and establish Tax Increment Financing District No. 1-4 (the "District") therein and adopt a Tax Increment Financing Plan therefor (collectively, the "Development Program and TIF Plan"); all pursuant to and in conformity with applicable law, including Minnesota Statutes, 469.124 through 469.134 and 469.174 to 469.1799, all inclusive, as amended, (the "Act") all as reflected in the Development Program and TIF Plan, and presented for the Council's consideration.

1.02. The City has investigated the facts relating to the Development Program and TIF Plan and has caused the Development Program and TIF Plan to be prepared.

1.03. The City has performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed Development Program and TIF Plan, including, but not limited to, notification of Mille Lacs County and Independent School District No. 480 having taxing jurisdiction over the property to be included in the District, and the holding of a public hearing upon published notice as required by law.

1.04. Certain written reports (the "Reports") relating to the Development Program and TIF Plan and to the activities contemplated therein have heretofore been prepared by staff and consultants and submitted to the Council and/or made a part of the City files and proceedings on the Development Program and TIF Plan. The Reports, including the Tax Increment Financing Application, include data, information and/or substantiation constituting or relating to the basis for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05. The City is not modifying the boundaries of the Onamia Development District.

Section 2. Findings for the Adoption and Approval of the Development Program and TIF Plan.

2.01. The Council hereby finds that the Development Program and TIF Plan, are intended and, in the judgment of this Council, the effect of such actions will be, to provide an impetus for development in the public purpose and accomplish certain objectives as specified in the Development Program and TIF Plan, which are hereby incorporated herein.

Section 3. Findings for the Establishment of Tax Increment Financing District No. 1-4.

3.01. The Council hereby finds that the District is in the public interest and is an "economic development district" under Minnesota Statutes, Section 469.174, Subd. 12.

3.02. The Council confirms that the City of Onamia has a population less than 5,000 and is located at least 10 miles from a city with a population greater than 10,000 and therefore the City meets the definition of a "small city" found in M.S. Section 469.174 Subd. 27.

3.03. The Council finds that the proposed development would not occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the Tax Increment Financing Plan, that the Development Program and TIF Plan conform to the general plan for the development or redevelopment of the City as a whole; and that the Development Program and TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development of the District by private enterprise.

3.04. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

Section 4. Public Purpose

4.01. The adoption of the Development Program and TIF Plan conforms in all respects to the requirements of the Act and will help discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, will result in increased employment in the state and thereby serves a public purpose.

Section 5. Approval and Adoption of the Development Program and TIF Plan.

5.01. The Development Program and TIF Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the City Clerk.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Development Program and TIF Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03. The Auditor of Mille Lacs County is requested to certify the original net tax capacity of the District, as described in the Development Program and TIF Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the City of Onamia is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The City Clerk is further authorized and directed to file a copy of the Development Program and TIF Plan with the Commissioner of the Minnesota Department of Revenue pursuant to Minnesota Statutes 469.175, Subd. 4a.

The motion for the adoption of the foregoing resolution was duly seconded by Council member _____, and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Dated: April 28, 2004

ATTEST:

Mayor

City Clerk

(Seal)

EXHIBIT A

RESOLUTION NO. _____

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 1-4 as required pursuant to *M.S., Section 469.175, Subd. 3* are as follows:

1. *Finding that the Tax Increment Financing District No. 1-4 is an economic development district as defined in M.S., Section 469.174, Subd. 12.*

The District is a contiguous geographic area within the City's Onamia Development District, delineated in the Plan, for the purpose of financing economic development in the City through the use of tax increment. The District is in the public interest because it will facilitate the construction of a 7,680 SF Hardware store and a 2,000 SF gift shop, which will help discourage commerce, industry, or manufacturing from moving their operations to another state or municipality, will result in increased employment in the state.

It has been confirmed that the City of Onamia has a population less than 5,000 and is located at least 10 miles from a city with a population greater than 10,000 and therefore the City meets the definition of a "small city" found in *M.S. Section 469.174 Subd. 27*.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of Tax Increment Financing District No. 1-4 permitted by the Plan.*

The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future: This finding is supported by the fact that the development proposed in this plan is a retail facility that meets the City's objectives for economic development. The cost of land acquisition, site and public improvements and utilities makes development of the facility infeasible without City assistance. The developer was asked for and provided a letter and a proforma as justification that the developer would not have gone forward without tax increment assistance (see attachment in Appendix F of the TIF plan).

The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the Plan: The City supported this finding on the grounds that the cost of land acquisition, site and public improvements and utilities add to the total development cost. Historically, site development costs in this area have made development infeasible without tax increment assistance. Therefore, the City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

A comparative analysis of estimated market values both with and without establishment of the District and the use of tax increments has been performed as described above. If all development which is proposed to be assisted with tax increment were to occur in the District, the total increase in market value would be up to \$482,866. The present value of tax increments from the District is estimated to be \$69,876 it is the Council's finding that no development with a market value of greater than \$412,990 would occur without tax increment

assistance in this district within 11 years. This finding is based upon evidence from general past experience with the high cost of acquisition and public improvements in the general area of the District (see Cashflow in Appendix D of the TIF plan).

3. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-4 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The City Council finds that the Plan conforms to the general development plan of the City.

4. *Finding that the Tax Increment Financing Plan for Tax Increment Financing District No. 1-4 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development of the Onamia Development District by private enterprise.*

The project to be assisted by the District will preserve and enhance the tax base, and provide employment opportunities in the City.