

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

January 8, 2004

Pursuant to due call and notice, a SPECIAL MEETING of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Thursday, January 8, 2004 at 5:30 p.m., in Council Chambers of City Hall. Mayor Lehmann presided.

Upon roll call, the following Council members were declared present: Downs, Erickson, Lehmann, Zachman, Meuers, Hellquist, Johnson

Mayor Lehmann noted the purpose of the meeting was to discuss the city's position as it relates to the reuse of the Old High School.

Tim Flathers (Headwaters Regional Development Commission) provided a copy of the City's application for Small Cities Development Program (SCDP) funds for the High School Reuse project. He noted that even with SCDP funds there is still a financial gap of \$420,000. At the time the application was submitted the council discussed various options to complete the financial package but agreed to leave the options open as much as possible to allow time to search alternative funding tools.

Flathers noted that beginning in early February, the staff at the funding agency will begin their review of the application. He explained that if the city supports the project and is willing to make a commitment, it will have a bearing on review of the application and give significantly greater chance for approval.

The following funding options were reviewed:

- UDAG funding – probably not a good option – giving away funds that could be used on a revolving loan basis.
- Tax Abatement – not a good option as the city's share of tax revenues is so small that the city would not be able to generate enough revenue to make a significant impact
- Tax Increment Financing (TIF) - Bonding or Pay As You Go – looks like the best option – does TIF make sense in this specific case to make this project work?

Flathers noted that the developer's model shows \$420,000 gap financing is needed. However, he suggested that if the council is willing to use TIF, they may want to negotiate the amount and find a way to make it work. He also noted that the County HRA has pledged a loan of 25% of the funding gap up to \$120,000 to assist in making the project work.

Zachman expressed opposition to the use of TIF, noting that he has not received positive feedback from anyone who believes the city should be involved in the project. He expressed his opinion that the project has to be wanted by the community and he is not getting a feel for that community support. He expressed opposition to fronting money for developers.

Rich Jaranson (High School Reuse Committee) noted that the city will either have a housing development that takes place or a building that will sit for several years and ultimately be demolished with the cost of demolition being levied back to the taxpayers of Beltrami County. He noted that the latest estimate on demolition is \$2.4 million. However, the School District says that, in light of the impact of the recent school referendum on taxpayers, they will not demolish the building for 5 years. At that time, the demolition costs could be over \$3 million.

Erickson felt that this is a unique opportunity to provide needed housing in the community and a unique opportunity to add this property back on the tax rolls. She noted she has received public feedback that indicates support for preserving the buildings.

There was some discussion regarding use of the old high school by Bemidji State University. John Quistgaard responded that BSU is moving in a different direction and is no longer interested in the buildings.

Lehmann suggested that the issue be placed on the January 20th meeting agenda for a Council decision as to whether the city wants to make a financial commitment to the project and what that commitment might be.

Motion by Zachman, second by Johnson, to adjourn the meeting. Meeting adjourned at 6:40 p.m.

Respectfully submitted,

Shirley Sherman, City Clerk