

MINUTES
Eveleth City Council Workshop
September 15, 2015
Council Chambers, City Hall, Eveleth, MN
5:45 p.m.

Mayor Robert Vlasisavljevich, Present
Councilor Brian Hoag, Absent
Councilor Brad Hadrava, Present
Councilor Brian Lillis, Present
Councilor Joseph Koivunen, Present

Staff present: City Clerk Administrator Jackie Monahan-Junek; Deputy City Clerk Stephanie Friebe; City Attorney Bonnie Thayer; Chief of Police Timothy Koivunen; Director of Public Works Michael Wiskow; Rodney Flannigan, Benchmark Engineering; Consultant Dave Salene

Also present: Duane Hill, MnDOT; Bart Kyte, Jim Nyhus, Bill Aho

Mayor Vlasisavljevich called the Workshop Meeting to order at 5:51 p.m.

1. Update on purchase of property located at 1250 Industrial Park Drive, Eveleth, MN, also known as the former Fingerhut property

Consultant Dave Salene said the agreement has been negotiated with the Tini's (building owners). After the Council approves the agreement, Salene is hopeful that the Tini's will sign the agreement.

City Clerk Administrator Monahan-Junek reported that Phase I and II of the environmental testing have been completed on the land. The City is waiting to receive the lab results from the Phase II study.

Salene indicated the title is clean. There were many declarations, easements, etc. which have been cleared. The purchase includes 12 acres of property.

2. Update on alternate location for Bart Kyte, 2 Rivers Auctions LLC

Bart Kyte currently leases the former Fingerhut Building from the Tini's. Kyte addressed the Council. He said he approached Dave Salene and City Clerk Administrator Monahan-Junek back in November of last year seeking funding to purchase the Fingerhut building on contract for deed. Kyte said the City decided to purchase the building, and allow him to use the front two lots. Per Kyte, MnDOT approached him about subleasing the building. At that time, Kyte told MnDOT that the building was full. Kyte said that Tom Schlodik called while he was in the middle of his grand opening for 2 Rivers Auctions. After having some time to think, he contacted Duane Hill,

MnDOT (after not hearing back from Tom Schlodik). Hill got in touch with Janis Nelson of MnDOT, who contacted Kyte. Kyte was under the impression that the City would purchase the property, and lease the building to him. In turn, Kyte would sublease the building to MnDOT. He said that Dave Salene contacted him to let him know that he could not make arrangements with MnDOT. Kyte indicated that on September 3, 2015, he received an email from Monahan-Junek informing him that he would need to vacate the building by October 1st. Kyte said that, had he been able to sublease to MnDOT, he would have been able to have a financially stable company in three years which would benefit both his business and the City of Eveleth. He said that any other site would be a third of the size without adequate parking. He questioned, “How many months will I not be able to grow the business? How long will it take to get help? If it takes a year to get help, I’m bankrupt.”

Mayor Vlasisavljevich said that Monahan-Junek is working to find a temporary location for Kyte. Kyte expressed his concerns with costs associated with moving into a new building. He said, “How do I make up the difference? How do I survive as a company to be around when that new building is put up?”

Vlasisavljevich said the City is caught between a rock and a hard place. MnDOT is expecting to employ 60 to 70 jobs that will be injected to the community. Councilor Koivunen said, “We want to get businesses on the road!” He said he was getting disgusted, and that he was “mad at the state for closing four businesses up.”

Kyte said, “Why not let me lease to the State? I can take care of the building maintenance. I can put up a new building. I understand the City’s positioning. If you are getting half a million dollars, why isn’t there something on the table?”

Mayor Vlasisavljevich asked, “If someone else bought the building, where would you be?” He said the City has to buy the building and take control of the property. He said the place is a mess and has front highway exposure. If the City does not own the building they do not have control over the area.

Kyte said, “Put yourself in my shoes. It has been in the plan to lease the building.” He referred to the City Council minutes of January 2015.

Vlasisavljevich asked, “What if MnDOT bought the building and sold it to the City when they are done?”

Kyte indicated that he was not looking for a paycheck, but asking the City to make sure he does not go bankrupt.

Vlasisavljevich said, “We are a public entity. That is why David (Salene) is involved. It’s the taxpayers’ money.”

Councilor Hadrava asked about putting the new building on the “fast track” once the purchase agreement has been finalized.

Vlaisavljevich said the Tini's have to sign the agreement in order for the purchase to go through.

Salene reminded the Council that he first came to them with Mr. Kyte's desire to get a loan for the project. Salene recommended against the loan as there was not proper collateral to cover it. At that time he presented the Council with the concept of purchasing the building. The City has been trying to deal with whole corridor, and purchasing it would give the City control. The Council's intent has not changed. The intent of the Council was to acquire the land (there was no mention of a MnDOT lease in the original plan). It took a long time for the sellers to agree to Phase I as part of the purchase agreement. Kyte has provided some financial documentation, but Salene is still waiting for additional information. Kyte needs to determine the specs for a new building. Once that information is provided, Salene would get preliminary costs from Benchmark. The City would approve the concept and specs of the building. Kyte would then commence with development of the building to be in compliance with the standards approved by the City. The invoices would be addressed to Kyte, but forwarded on to the City for payment. A lease agreement between Kyte (2 Rivers Auction) and the City would be established with the option to purchase the outstanding principle.

Councilor Lillis said the Council's opinion was clear to progress with the MnDOT lease. However, the Council does not want to cause harm to Kyte's business.

The Council will voice an opinion of support for Kyte at the Council meeting.

3. Update on potential lease with MnDOT

Monahan-Junek revealed a draft lease has been prepared. Duane Hill, MnDOT, and Monahan-Junek have discussed office furniture. Salene and Monahan-Junek will continue to work with Janis Nelson.

Councilor Lillis asked if the October 1st date was set in stone. Monahan-Junek said once it is determined who will be purchasing the furniture, the agreement could commence on October 15th.

4. Discuss possible lease extension for the Minnesota Department of Revenue at the Eveleth library

Monahan-Junek has met with Minnesota Department of Revenue. Their lease with the City of Eveleth expires in January 2016. Minnesota Department of Revenue has not been able to find a new location, and are exploring a lease extension while they look to relocate.

Mayor Vlaisavljevich wondered if the State is truly interested in keeping those jobs here on the Iron Range. The Council concurred that a year one lease extension with a negotiated rate would be acceptable.

Councilor Hadrava questioned whether or not any remodeling could be done at the basement of the library to accommodate their needs.

Monahan-Junek indicated Tony Jeffries is working on an advertising brochure to market the space at the library.

5. Discuss submitting a grant application(s) for the FY 2016 St. Louis County Community Development Grant program

The deadline for the FY 2016 St. Louis County Community Development Grant pre-application is October 15, 2015. The grant cannot cover any projects that impose assessments. The Council will continue discussion at the next regular Council Meeting Workshop.

6. Discuss Tobacco-Free Vehicles and Equipment Policy

Councilor Koivunen said that eventually this policy would have to be adopted. Councilor Lillis assumed most municipalities will be moving forward with this type of policy since it will probably be considered a best practice standard. The Council will continue discussion at the next regular workshop.

7. Discuss Prohibiting Long Guns at Work Policy

This item will be added to the next agenda.

8. Update on VEEDA changes

9. Discuss West Eveleth Lots

10. Discuss Carter Circle Lots

Monahan-Junek suggested it was not worth the cost to extend the utilities so that the Carter Circle lots could be subdivided. She will add new pricing to the next Council agenda for approval.

11. Agenda Q&A

The following item was added to the Agenda:

J15. Consider Appointment of the Assistant Public Works Director