

CITY COUNCIL AGENDA

**Brainerd, Minnesota
Special Meeting
Monday, May 23, 2016
6:00 P.M.**

**Brainerd City Hall
City Hall Conference Room**

_____ G. Johnson
_____ C. Borkenhagen
_____ S. Hilgart
_____ M. Koep
_____ D. Pritschet
_____ K. Bevans
_____ G. Scheeler
_____ Mayor Menk

- 1. Call to Order**
- 2. Roll Call**
- 3. Temporary Liquor License – Submitted by the Crossing Arts Alliance for an Event to be held on June 10, 2016 at the Franklin Art Center, 1001 Kingwood Street, STE 114, Brainerd – Approval of – Voice Vote**
- 4. Roundhouse Brewery, 1551 Northern Pacific Road, Brainerd:**
 - a) Conditional Use Permit to Allow Outdoor Patio Seating & Alcohol Service – Voice Vote**
 - b) Extension of Premises to Allow Alcohol Service on Patio from May 23, 2016 through June 30, 2016 – Voice Vote**
- 5. Adjourn – To INFORMAL SESSION – NO FORMAL ACTIONS – DISCUSSION ONLY of Brainerd Oaks/Serene Pines/Dal Mar Estates Offer**
- 6. Adjourn**



Brainerd City Council Agenda Request

#4

Agenda Item #

Requested Meeting Date: May 23, 2016 Special Meeting

Title of Item: Roundhouse Brewery CUP for Outdoor Patio Seating & Alcohol Service

☐ INFORMATION ONLY ☐ CONSENT AGENDA ☐ P&F COMMITTEE ☐ SPW COMMITTEE ☒ MAIN AGENDA	Action Requested: ☒ Approve/Deny Motion ☐ Adopt Resolution (attach draft) *provide copy of published hearing notice ☐ Direction Requested ☐ Discussion Item ☐ Hold Public Hearing* ☐ Ordinance 1 st Reading
Submitted by: Mark Ostgarden	Department: Planning
Presenter (Name & Title): Same	Estimated Time Needed: 5 Minutes
Summary of Issue: Roundhouse Brewery desires an outdoor patio for outdoor seating and alcohol service. The Planning Commission recommended approval with one condition: The perimeter fence gate security latch be approved by the Fire Department and Building Department. Attached please find the DRAFT minutes from the May 18, 2016 Planning Commission meeting at which this recommendation was made unanimously.	
Alternatives, Options, Effects on Others/Comments: 1. Deny the request which will mean a patio cannot be constructed. 2. Approve the request as recommended by the Planning Commission. 3. Should the City Council have concerns about the use, it can impose additional conditions it thinks necessary to protect the public health, safety and welfare.	
Recommended Action/Motion: Motion by _____, second by _____ to approve the Conditional Use Permit for Roundhouse Brewery, 1551 Northern Pacific Center. for outdoor patio seating and alcohol service subject to: The perimeter fence gate security latch be approved by the Fire Department and Building Department.	
Financial Impact: Is there a cost associated with this request: ☐ Yes ☒ No What is the total cost, with tax and shipping \$ _____ Is this budgeted? ☐ Yes ☒ No <u>Please Explain:</u>	

PLANNING COMMISSION
Wednesday, May 18, 2016

City Planner Ostgarden called the meeting of the Brainerd Planning Commission to order at 6:00 p.m. in the City Hall Council Chambers.

Noted present were Commissioners Antolak, Headley, Straw, Plantenberg, Parks, Turner and Pritschet. Also present were City Planner Ostgarden, Planning Intern Hermerding and 2 others.

#2 Approval/Amendment of Agenda

MOTIONED AND SECONDED BY COMMISSIONERS PARKS AND PRITSCHET, DULY CARRIED, TO APPROVE THE AGENDA AS PRESENTED.

#3 Approve Minutes of the Regular Meeting held on April 20, 2016

MOTIONED AND SECONDED BY COMMISSIONERS PRITSCHET AND STRAW, DULY CARRIED, TO APPROVE THE MINUTES FROM THE REGULAR MEETING HELD ON APRIL 20, 2016.

#4 New Business

- a. Public Hearing Conditional Use Permit – Roundhouse Brewery, 1551 Northern Pacific Center, Brainerd, MN 56401 – for an exterior patio adjacent to the brewery for outdoor seating and alcohol service.**

City Planner Ostgarden pointed the Commission's attention to the illustrations included in the Packet relating to the proposed patio area, fence, etc., being applied for by Roundhouse Brewery which is located at the NP Center.

The Public Hearing was opened at 6:07pm.

The Chair recognized Roundhouse Brewery President Mark Lelwica, who answered questions from the Commission relating to adjacent buildings.

The Public Hearing was closed at 6:08pm.

The following findings-of-fact were read into the record as follows:

1. The property is zoned MU (Mixed Use) District and patios and outdoor seating and alcohol service are permitted conditional uses in the district.
2. The NP Center is approximately 48 acres.
3. The patio is 50' x 12' = 600sq. ft. with a concrete floor. The taproom area is 98' x 43' = 4,214 sq. ft. The patio area can be up to 1,264 sq. ft.
4. The patio will be located in the NP Center court yard. It will be buffered from the residential areas to the south by a 500 ft. long 2 story NP Center building. The dwellings on the other side of the building are 630 away from the patio.
5. The patio is over 600 ft. from 13th Street S.
6. There is industrial property to the north, vacant land to the east and west.

7. The patio will only be accessible from within the building. A 4 ft. tall aluminum rail fence will be installed around the perimeter. The fence will have a security latch on the gate openable only from within the patio.
8. A patio layout identifies 8 picnic tables and 2 trash cans.
9. The patio egress is an emergency exit and provides a direct access to the gate is required. The patio table layout depicts a direct access to the gate.
10. A 93 space parking lot is under construction for use by NP Center visitors and staff.
11. The Comprehensive Plan Goals and Strategies support the Conditional Use:

ECONOMIC DEVELOPMENT

GOAL: Support the development of a strong, diversified, and growing economic base and create a favorable climate for economic development and ongoing business activities.

Strategies

- Actively promote development and redevelopment within the community...
- Strengthen and maintain a diverse retail base...

LAND USE

GOAL #5: Support development that enhances community character and identity.

Strategy

Support the redevelopment of vacant and abandoned sites within the urban core.

12. The President of the Brewery was present at the meeting and answered questions of the Commission.

The following condition was added:

1. The perimeter fence gate security latch must be approved by the Fire Department and the Building Department.

MOTIONED AND SECONDED BY COMMISSIONERS PRITSCHET AND PARKS, DULY CARRIED, TO RECOMMEND APPROVAL OF THE CUP APPLIED FOR BY ROUNDHOUSE BREWERY, 1551 NP CENTER, BRAINERD, FOR EXTERIOR PATIO AND OUTDOOR SEATING AND ALCOHOL SERVICE.

b. Non-Motorized Transportation Plan Presentation – No Attachments

City Planner Ostgarden introduced Ms. Eleanor Burkett, Chair of the Walkable Bikeable City Committee who presented a PowerPoint on the Committee's Non-Motorized Transportation Plan. The proposed plan points out areas of the City which the Committee recommends have sidewalks added or extended to accommodate non-motorized transportation and safety. She answered questions of the Commission and the Chair thanked her for her presentation.

c. Government Training Services Workshops

City Planner Ostgarden reported that the following two classes will be held at the Initiative Foundation office in Little Falls through the Minnesota Government Training:

1. Planning and Zoning Basics – June 28th
2. Beyond the Basics of Planning and Zoning –

#5 PUBLIC FORUM

None

#6 **OLD BUSINESS**

None

#7 **Commissioners' Questions/Comments**

None

#8 **City Planner's Report**

City Planner Ostgarden reported that both CUPs for BIC were approved at Council level and that he will continue to meet with the owner, Mike Higgins, to discuss any upcoming concerns.

#9 **Adjourn**

As there was no further business, the meeting was adjourned at 6:45pm.

Respectfully submitted,

Mark Ostgarden AICP
City Planner



Brainerd City Council Agenda Request

#5

Agenda Item #

Requested Meeting Date: May 23, 2016 Informal Session**Title of Item:** Discussion of Developer's Offer on Tax Forfeited Lots

☒ INFORMATION ONLY ☐ CONSENT AGENDA ☐ P&F COMMITTEE ☐ SPW COMMITTEE ☐ MAIN AGENDA	Action Requested: ☐ Approve/Deny Motion ☐ Adopt Resolution (attach draft) *provide copy of published hearing notice ☐ Direction Requested ☒ Discussion Item ☐ Hold Public Hearing* ☐ Ordinance 1 st Reading
Submitted by: Jim Thoreen	Department: Administration
Presenter (Name & Title): Several	Estimated Time Needed:
Summary of Issue: Over 5 years ago the Crow Wing County Board requested the Crow Wing County HRA to work on means of getting back on the tax rolls many platted lots which have forfeited due to the recession and perhaps other factors. The County HRA has received a proposal from Kent Roessler, a developer with Paxmar Co., for the purchase of tax forfeited lots in the subdivisions of Brainerd Oaks, Dal Mar Estates, and Serene Pines.	
Alternatives, Options, Effects on Others/Comments: The purpose of the informal session of the Council is to examine the proposal from Paxmar, review the portions of the proposal relevant to the City of Brainerd (the uncollected special assessments) and to discuss the city's next step(s) in this process. Staff notes that basic options for consideration are: 1.) accept the proposal as is; 2.) request the CWC HRA to continue negotiations; 3.) reject the proposal and seek Requests for Proposals from other developers; 4.) other options to be developed by the Council. Staff has no recommendation as to the optimal solution; everyone seeks a win-win outcome.	
Recommended Action/Motion:	
Financial Impact: Is there a cost associated with this request: ☐ Yes ☐ No What is the total cost, with tax and shipping \$ _____ Is this budgeted? ☐ Yes ☐ No <u>Please Explain:</u>	

To: Mayor and City Council Members

From: Jennifer Bergman, Crow Wing County HRA Executive Director 

Date: May 19, 2016

Re: Proposal from Paxmar to Purchase Tax-Forfeited Lots in Brainerd Oaks, Serene Pines and Dal Mar Estates

The Crow Wing County HRA (CWC HRA) received a proposal from Paxmar to purchase tax-forfeited lots in Brainerd Oaks, Serene Pines and Dal Mar Estates. Their request is to purchase a minimum of 10 lots and a maximum of 30 lots per year and maintain a minimum of \$1.5 million of homes in process of construction per calendar year during the term of the agreement. They will construct 63 homes at Brainerd Oaks, 23 homes at Serene Pines and seven homes at Dal Mar Estates. They are proposing a six- to ten-year build-out schedule.

History

All three are tax-forfeited subdivisions currently owned by the State of Minnesota and held in trust by Crow Wing County. By statute, the County is required to sell the lots for the estimated market value. In addition, the County has the lots listed for the market value plus assessments. According to the County, they have been approached by a few individuals interested in purchasing the lots but they have not because the estimated market value and the assessments make the purchase price higher than the value of the lots.

In 2010, the County requested the assistance of the CWC HRA to try to sell the land. The CWC HRA initially created a plan to sell 20 of the lots to the Lakes Area Habitat for Humanity (LAHFH) and sold the existing home on Holton and Oak to LAHFH. However, because of the assessments, the costs were much higher than anticipated. Since LAHFH currently owned a number of lots free and clear in the City of Brainerd, they weren't interested in acquiring any more lots in Brainerd Oaks.

In 2015, the CWC HRA hired the Urban Land Institute (ULI) to put together a Technical Assistance Panel (TAP) with experts including a developer, a commercial Realtor, a financial analyst and a builder to evaluate Brainerd Oaks. The purpose of ULI's TAP is to address specific challenges such as site redevelopment options. For your information, I have attached a list of the panel members and the findings and observations from the TAP Report (see attachment).

Current Offer

Mark Ostgarden was contacted by Kent Roessler, a developer with Paxmar, who was interested in purchasing Brainerd Oaks, and Mark and I met with him on April 13th.

After researching tax-forfeited properties in Brainerd, Paxmar is requesting to purchase Serene Pines and Dal Mar Estates in addition to Brainerd Oaks. Their reason for including the other two subdivisions is to be able to build a wider range of house options with anticipated sales prices between \$150,000–\$400,000.

After negotiation between the CWC HRA and Paxmar, the CWC HRA accepted the offer of \$912,300 for all three subdivisions. This offer is contingent upon a number of things including (but not limited to) the County deeding the land to the CWC HRA, the City forgiving a portion of the assessments, the reduction of SAC and WAC fees and park dedication fees.

Conclusion

The purpose of the CWC HRA's request for a work session is to see if the City Council has any interest in considering reducing the amount of the assessments. The City would receive the entire amount paid by the developer for the purchase of the property minus the actual expenses incurred by the CWC HRA in the sale of this land.

The CWC HRA Board negotiated our counteroffer based on the County Assessor's value of the land minus a discount for buying 113 lots. Attached is a table with information on all three subdivisions for discussion purposes. This table compares the estimated market value from Crow Wing County with the offer from Paxmar (see attachment).

The CWC HRA is not requesting any administrative fees in addition to the actual cost. We are merely presenting the offer and have no financial stake in this. Accepting the conditions listed above is ultimately up to the City Council. Our recommendation is that the City Council considers the following options:

- 1) Accept the offer as presented,
- 2) Amend the offer, or,
- 3) Reject the offer

Upon the decision by the City Council, the CWC HRA will reconsider this offer. Regardless of the outcome, this is good news for Brainerd to have a developer interested in building new single family homes in Brainerd.

No Action Requested; Discussion Item



Urban Land
Institute

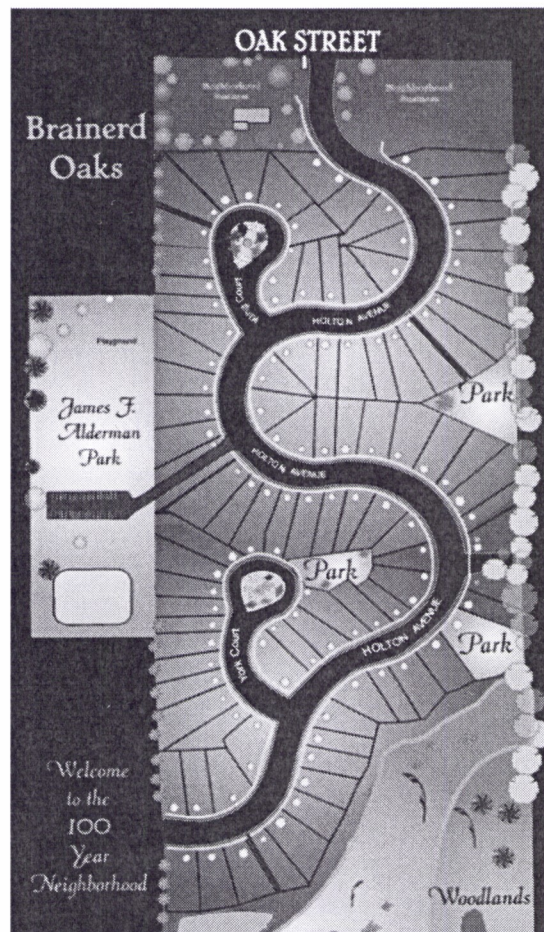
Minnesota

TECHNICAL ASSISTANCE PANEL REPORT

Brainerd Oaks Development Area

City of Brainerd & Crow Wing County HRA

January 13, 2016



The Panel

The panelists are ULI MN members and experts who volunteer their time because of a commitment to the principles of redevelopment, planned growth, economic expansion and local and regional capacity-building.

Panel	ULI Minnesota Staff
John Shardlow, Stantec, TAP Chair	Cathy Bennett
Ben Baratto, Baratto Brothers Construction	Gordon Hughes
Bill Beard, The Beard Group	
Chris Eng, Northland Securities	
Deanna Hemmesch, Central Minnesota Housing Partnership	
Rod Osterloh, Close Converse	

“With the assistance of a ULI MN Technical Assistance Panel (TAP), our city has moved forward on a key redevelopment project that expands rental housing options for residents. The TAP provided immeasurable assistance and was vital in guiding the strategic direction for the property.”

Sandra Martin, Mayor, City of Shorview

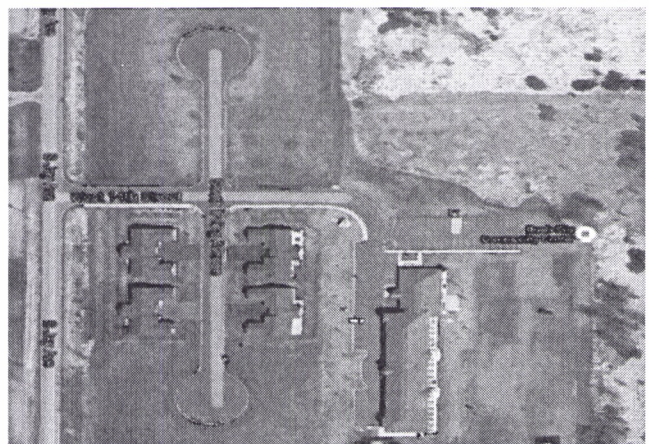
Preliminary Findings and Observations

Prior to responding to the specific questions posed by the HRA, the panel developed some overall consensus findings and observations regarding Brainerd Oaks which serve as a backdrop for the panel's specific recommendations.

- **Special Assessments.** The special assessments which constitute the first lien on each of the forfeited lots create an insurmountable obstacle to successful development. The amount of the special assessments (ranging from \$16,000 - \$18,000 per lot depending upon the lot size) substantially exceeds the value of each lot which is estimated to be between \$5,000 - \$8,000 per lot. Nothing positive can happen without a solution to the special assessments.
- **No Action:** "Doing nothing" is an alternative, but not a good one. "If nothing changes, nothing changes", said Panel Chairman John Shardlow. He added, "We see nothing to convince us that just waiting is a viable option". The County/HRA/City can play a waiting game in hope that the calculus for the development will improve and the lots will sell for a price that affords repayment of the special assessments while allowing a reasonable profit for a builder/developer. The panel is not confident that this will occur in the foreseeable future based on the current pricing of similar lots in the Brainerd/Baxter market and the projected demand for home sites based on the recent Maxfield report.
- **Sell to a Master Developer.** The prospect of selling Brainerd Oaks in its entirety to a developer is unlikely even if the special assessments are wiped from the property. The potential profit margin is simply too thin to attract a developer who would hold the property and pay attendant carrying costs while pursuing a multi-year build out. "From a developer's perspective it would not be a good investment to be a master developer on this site as the risk is too high given the site constraints and high assessments", noted Bill Beard of The Beard Group.

Similar opportunities exist in the Brainerd Lakes area which are more attractive; better-located, more financially feasible. These opportunities are more competitive and would attract developer interest, which is limited, ahead of Brainerd Oaks. The likely customer for Brainerd Oaks is a lot by lot builder, not a developer.

- **Public/Private Partnership.** The Crow Wing County HRA, Crow Wing County, the Brainerd HRA or the City of Brainerd (or a combination thereof) will need to play the role of the developer/construction lender in order to facilitate development



Rush City Example where Chisago EDA acted as the lender to facilitate a mixed housing development.

of Brainerd Oaks. This option may open up opportunities to attract various home builders who would enter into an agreement to construct, stage, market and sell homes with less financial risk and added carrying costs. Panelist Chris Eng suggested that, "The HRA is in a unique position to secure low cost bond financing privately placed with a local lender to build and/or partner with builders to jumpstart the construction of new housing units". For example, the HRA could solicit bids from contractors and realtors and then provide the temporary construction financing for new housing units (single family or townhomes) to be built and sold. When the units are sold the proceeds from the sale can then be used to create a revolving fund to construct new additional units.

In addition, it will be very important to seek a variety of partnership opportunities. This will open up options to market for a mix of housing types simultaneously to different market segments.

- **Rebrand the Project:** Based upon the history of Brainerd Oaks the panel recommends that the project should start with a clean slate both financially and from a marketing perspective. This should include changing the project name, enhancing the development entrance, and identifying ways to bring residents to the development to create a more positive image for the area. These strategies will help to create a critical mass of activity to overcome the current negative stigma attached to the property and help to increase buyer confidence.

"Once the fundamental financial barriers have been addressed the County/City leadership should actively pursue multiple partnerships. We all agree that the ability to simultaneously market to multiple buyer types would be very positive."

TAP Chair John Shardlow, *Stantec*

Comparison of Crow Wing County's Estimated Market Value to Purchase Price

	Brainerd Oaks	Serene Pines	Dal Mar Estates	Total
Number of Tax Forfeited Lots Included in the Offer	83 Vacant Lots	23 Vacant Lots	7 Vacant Lots	113 Vacant Lots
Average Lot Size	.18 Acres	.58 Acres	1.95 Acres	.91 Acres
CWC Average Estimated Market Value Per Lot	\$6,810	\$14,070	\$25,200	\$9,427
Total Estimated Market Value Based on Per Lot Value	\$565,200	\$323,600	\$176,400	\$1,065,200
Offer From Paxmar Average Price Per Lot	\$4,875	\$15,750	\$20,775	\$8,073
Total Offer From Paxmar Based on Per Lot Value	\$404,625	\$362,250	\$145,425	\$912,300
Percentage of Offer Compared to Estimated Market Value	72%	112%	82%	86%

CITY OF BRAINERD'S INTEREST IN DEVELOPER'S PROPOSAL

	<u>Brainerd Oaks</u>	<u>Serene Pines</u>	<u>Dal Mar Estates</u>	<u>Total</u>
# of Parcels in Offer	83	23	7	113

Special Assessments:

Average Principal Assessment Outstanding	\$ 10,807	\$ 21,009	\$ 20,847	\$ 13,506
Average Accrued Interest Outstanding <i>as of</i>	6,348	11,465	11,292	7,696
Average Total Assessment Outstanding per Lot	\$ 17,155	\$ 32,474	\$ 32,139	\$ 21,201
Total Assessments Outstanding for all Lots in Offer	\$ 1,423,877	\$ 746,898	\$ 224,976	\$ 2,395,751

Debt:

Total Estimated Cost of Debt Service Associated with Lots in Offer (P&I)	\$ 1,109,008	\$ 615,727	\$ 184,537	\$ 1,909,272
Estimated Debt Service Remaining of Associated Lots <i>as of 4/30/16</i> (P&I)	\$ 135,995	\$ 120,470	\$ 33,387	\$ 289,852

DEVELOPER'S PROPOSAL AS RELATED TO CITY OF BRAINERD AS OF 5/23/16

3 things the Developer has Proposed for the City of Brainerd to Consider:

1. Land Free and Clear - Asking the City to not re-certify the remaining balance of the assessments

** 100% of the purchase price **less the** legal and closing costs incurred by the HRA will go to the City

2. Set SAC and WAC fees at \$750 each

** Current SAC \$1,900 and WAC is \$1,400 per house built for a total of \$3,300

3. Waive Park Dedication Fee

** Current Fee is \$500 per house built

	Brainerd Oaks	Serene Pines	Dal Mar Estates	Total
Proposed # of Houses to be Built	63	23	7	93
Proposed Purchase Price	\$ 404,625	\$ 362,250	\$ 145,425	\$ 912,300
Less:				
Estimated Closing Costs (\$500 per lot)	(41,500)	(11,500)	(3,500)	(56,500)
Estimated Legal Fees (2% of purchase price)	(8,093)	(7,245)	(2,909)	(18,247)
Net Estimated Purchase Price to the City	\$ 355,032	\$ 343,505	\$ 139,016	\$ 837,553
1. Land Free and Clear:				
Estimated Amt of O/S Assessment P&I Forgiven	\$ 1,068,845	\$ 403,393	\$ 85,960	\$ 1,558,198
2. SAC & WAC at \$1,500 vs \$3,300				
Estimated SAC & WAC Fee Reduction	113,400	41,400	12,600	167,400
3. Waive Park Dedication Fee				
Estimated Park Dedication Fee Waiver	31,500	11,500	3,500	46,500
Estimated Total Forgiven by the City	\$ 1,213,745	\$ 456,293	\$ 102,060	\$ 1,772,098