

**SPECIAL MEETING OF THE ANOKA CITY COUNCIL
ANOKA CITY HALL
CITY COUNCIL CHAMBERS
JUNE 26, 2023**

1. CALL TO ORDER

Mayor Rice called the special meeting of the City Council to order at 5:00 p.m., followed by the Pledge of Allegiance.

2. ROLL CALL

Present at roll call: Mayor Rice, Councilmembers Scott, Skogquist, Wesp, and Weaver.

Staff present: City Manager Greg Lee, Community Development Director Doug Borglund, Senior City Planner Clark Palmer, Assistant City Manager/City Clerk Amy Oehlers, Police Chief Eric Peterson, Finance Director Brenda Springer, Public Services Director Mark Anderson, Electric Utility Director Del Vancura, City Attorney Scott Baumgartner.

Absent at roll call: None.

3. COUNCIL BUSINESS AND/OR DISCUSSION ITEMS

3.1 RES/ Consideration of Purchase Agreement; 2939 6th Avenue, Miller Manufacturing Building.

Community Development Director Doug Borglund shared a background report stating at the June 12, 2023 closed executive session the City Council directed staff to move forward and pursue acquisition of the subject property at the price of \$8,900,000. The property owner is a willing selling and the property is currently listed. The subject property is a vacant/unoccupied industrial property located in the TOD Zoning District. The City presented a letter of intent to the seller for the listing price. In return, the seller has presented the City with a purchase agreement for the listing price. The City Attorney and staff have reviewed the purchase agreement presented by the seller and have the following comments: • Paragraph 3 – The payment of attorney’s fees. The City is not under any obligation to pay attorney’s fees. • Paragraph 4 – This is a relatively short due diligence period. However, they are providing a Phase I report. The City will need to determine if this is enough time for the City to conduct its due diligence. • Paragraph 6 – The proposed deadline is very short for the City to obtain its financing. Staff is working Ehlers to obtain a schedule on financing. • Paragraph 8 – Buyer pays the Title Company’s closing and escrow fees? This is a cost usually split between the parties.

Councilmember Skogquist inquired if the \$180,000 is in escrow will it come out when we pay the \$500,000. Mr. Borglund explained there will essentially be two closings, one on the purchase agreement for \$180,000 and the contract for deed will be in place and then close on the contract for deed for the rest and the \$680,000 total will go towards the final price.

Mayor Rice said the City has been cautious to make sure this item is done within our purview to help manage development and this area has been developing so to say we are thwarting this sale was not the intention but instead we are doing it to make decisions on what the zoning should be.

City Attorney Scott Baumgartner spoke to the culmination of attorney's fees, stating the position of sellers was not approving the use of other and the potential for loss of interest.

Councilmember Skogquist said the fee is an issue but also the language that admits that we were doing what we actually weren't and referred to the due diligence period and what would be required doing that time, including receiving the Phase I study. Mr. Borglund explained the proposed timeline included call for sale of bonds and public hearing notice for abatement with closing on bond proceeds by September 15, 2023. He noted actions included approving the purchase agreement but staff has not seen the purchase agreement yet.

Councilmember Skogquist asked what can we change if there are concerns. Mr. Baumgartner responded there is reasonable concern with the condition of the property and that this agreement is a little broader than typically done then spoke about the contract for deed and while we don't have it yet the purchase agreement is contingent upon its receipt and will allow the City to object. He said if that occurs there needs to be recourse if there is something objectionable in the contract for deed once received. He added it would be acceptable to receive a draft contract for deed from the sellers but it needs to be addressed in the purchase agreement as well.

Councilmember Weaver asked about the status of the environmental studies ESA 1 and 2 as well as soil boring information. Mr. Baumgartner replied Phase I was done April 2023. Mr. Borglund added they would be provided upon execution of the purchase agreement as well as other building plans.

Mr. Baumgartner noted the contract for deed will bear interest of 7% per annum for up to 120 days and asked how sure we are of financing and funding after 120 days. Finance Director Brenda Springer said staff confirmed with Ehlers and Associates that the property was eligible for abatement bonds and while work is still needed regarding payments the property would be eligible to receive full financing.

Councilmember Skogquist said even though there are still items to figure out they are small relative to the full price and that the City had a couple years to figure out payments. He said most of the agreement language was reasonable and he would support moving forward if we can amend language in Paragraph 3 regarding attorney's fees as well as the contract for deed.

Councilmember Weaver asked if we need to include reference to the ESA 1 and 2 for soil borings. Mr. Baumgartner said he felt the current language met the City's need to remove itself from the agreement if needed and stated if the buyer has reasonable concerns they will return the earnest money but noted he needed to confirm if the \$500,000 is paid as part of the contract for deed if that amount would be returned as well.

Councilmember Skogquist referred to language already included that based on any reasonable concern with the property the funds would be returned.

Councilmember Wesp asked if the City chooses to terminate would it have to be by the end of the due diligence period or July 21 and wouldn't commit the \$500,000 already so he did not believe that amount was earnest money. He agreed language should be included not limited to the studies ESA 1 and 2 and confirmed 7% interest rate was per annum then said he was not comfortable with the \$100,000 for attorney's fees. Mayor Rice responded he was fine with the buyer paying the seller some amount of money for costs incurred April through June instead or another amount in lieu of the costs incurred.

Councilmember Scott spoke about including attorney's fees plus other opportunities for costs to be included instead. Mr. Baumgartner said that assumes the property already closed and suggested a discussion to not include that language and possibly increase the price to help cover those costs incurred.

Councilmember Weaver said the ESA drop dead date was July 21 and asked if the City could request soil borings be done in two weeks as that was a big concern and said if we approve the purchase agreement does that provide permission to access the property and conduct the soil borings. Mayor Rice suggested extending dates to accommodate conducting soil borings.

Mr. Lee said the key is getting the Phase I environmental study because that will tell us where to conduct the borings. Mr. Borglund said upon execution of the purchase agreement the seller would release the studies.

Councilmember Wesp said he believed we will get there but need to do our due diligence first. Councilmember Skogquist asked if Council could authorize staff to include the points of concern raised tonight and approve the agreement contingent or is there a need for a special meeting. Mr. Baumgartner said he would prefer authorization from Council to work with the seller's attorney on the items discussed for final approval at an upcoming special meeting the

summarized the requested changes that included amendments to Paragraph 3 regarding attorney's fees and direction on dollar amount, Paragraph 5 sale contingent on the contract for deed and increasing the due diligence period from two to four weeks and closing sometime after the expiration of due diligence, and permission to access the property to conduct soil borings.

Mayor Rice summarized the actions needed that included authorizing the City Attorney to negotiate the outlined items and return with a revised draft of the purchase agreement that included increasing the purchase price by \$100,000 and elimination of Paragraph 3 regarding attorney's fees, stating the rest was reasonable for a purchase of this size.

Councilmember Wesp shared his schedule and said he may not be available for a special meeting but supported the proposed items as presented and agreed about the need for due diligence.

Tim Prinson, owner's agent, appreciated the discussion and said the seller would prefer the agreement be approved this evening contingent on the identified items being resolved by staff and not have to return to Council as it would be best received due to the timetable. Mayor Rice noted a special meeting could be held yet this week to still accommodate their timetable.

Mr. Baumgartner agreed there were enough changes being directed that Council should review and approve and while he does not want to delay the process either the seller should understand the City is interested in moving forward and that the items were nothing out of the ordinary.

Motion by Councilmember Skogquist, seconded by Councilmember Weaver, to direct the City Attorney to negotiate the purchase agreement to include the items as outlined and schedule a special meeting for June 29, 2023, at 6:00 p.m. to consider adoption of a resolution approving purchase of real property; 2939 6th Avenue/PID 06-31-24-21-0090 and PID 06-31-24-22-0010.

Mr. Lee suggested requesting release of the environmental studies as well to continue to move the process forward. Mr. Prinson said studies were typically not released until the purchase agreement was approved then said they appreciated the accommodation for a special meeting.

Upon a roll call vote: Mayor Rice, Councilmembers Scott, Skogquist, Weaver, and Wesp voted in favor. Motion carried.

3.2 Approval of Temporary Liquor Licenses for Anoka Lions Club for the Full Summer Concerts in the Park Series.

Assistant City Manager/City Clerk Amy Oehlers shared a background report stating at the request of City Council Anoka Lions has applied for a temporary

liquor license to sell beer and wine at the summer concert series. She said the application has been submitted to the State and would be available for release upon formal Council approval for all concerts with the exception of the week of the Anoka County Fair.

Councilmember Wesp confirmed if more than beer and wine would be available for purchase. Ms. Oehlers confirmed if approved the Anoka Lions Club would receive an intoxicating liquor license that allowed for the sale of all intoxicating beverages.

Councilmember Weaver said the concert series is a great event and thanked staff for their work, adding this will be a precursor to the upcoming social district.

Motion by Councilmember Weaver, seconded by Councilmember Skogquist, to approve temporary liquor licenses for Anoka Lions Club for the full Summer Concerts in the Park series.

Councilmember Skogquist noted the Lions had assured him they would keep sales data records that could be used as part of next year's discussions for the social district.

Mayor Rice thanked the Lions for being available and willing to serve in this way while helping them to raise money.

Councilmember Weaver referred to recent legislative changes that had occurred that allowed this to be possible. Ms. Oehlers said the law used to allow for temporary licenses for only 12 days a year but had been expanded to 24 then noted for events like this if designated as a community festival by the City would not count against that total.

Vote taken. All ayes. Motion carried.

ADJOURNMENT

Councilmember Wesp made a motion to adjourn the Special Council meeting. Councilmember Scott seconded the motion.

Vote taken. All ayes. Motion carried.

Time of adjournment: 6:00 p.m.

Submitted by: Cathy Sorensen, *TimeSaver Off Site Secretarial, Inc.*

Approval Attestation:

Amy T. Oehlers, City Clerk