

**THE CITY COUNCIL  
GRAND FORKS, NORTH DAKOTA**

**PROCEEDINGS OF  
OF THE CITY OF  
Wednesday,**

**October 1, 1997**

The city council of the city of Grand Forks, North Dakota met in special session in the council chambers in City Hall on Wednesday, October 1, 1997 at the hour of 12:00 noon with Mayor Owens presiding, pursuant to call by Mayor Owens which was served on all members of the council on September 30, 1997: Document No. 7378 - Notice.

Present at roll call were Council Members Beach, Polovitz, Hamerlik, Carpenter, Sande, Klave, Beyer, Babinchak, Bakken, Hafner, Hagness - 11; absent: none; 2 seats vacant.

Mayor Owens announced that anyone wishing to speak to any item may do so by being recognized prior to a vote being taken on the matter.

APPROVE PROPOSAL FOR DOWNTOWN CORPORATE  
CENTER AND TO SUBMIT GRANT APPLICATION TO  
EDA; AND TO APPROVE RFP FOR PROJECT MANAGER

John O'Leary, executive director of Urban Development Office, reported that in weeks following flood he and Dick Olson of the Grand Forks Development Foundation had some conversations with the Economic Development Association about the possibility of a new downtown building to try to replace some of the sq.ft. of retail space that was destroyed because of the flood and fires. He reported that early on in that process EDA indicated an interest in providing some help to us and in preliminary conversations had talked about \$1.5 million to \$2 million in EDA funds, later they came back and asked City to increase request to \$3 million, and then began exploring possibility of tenants downtown and with both flood and fire downtown many businesses including those at 4th and DeMers were displaced and were in need to find replacement facility almost immediately. He reported that during the course of those discussions he wanted council and public to know that he and Dick Olson contacted the tenants to see if they would be interested in maintaining the downtown locations if a facility could be structured and if market rents could be established. He reported that during the course of discussion that followed initial meetings, a number of agreements have come to pass in addition to the premise that trying to hold these buildings at market rent, would also be looking at a ten-year lease and would give council some comfort level that these businesses are here to stay. He reported that it was their intention to leverage every way they could the EDA money against CDBG money as well as against bond money. He reported that tenants are interested in long term strategy for the downtown area, not for just four-block area on the plan, but for the entire central business district; and what are City's plans to redevelop the downtown into a viable place to be located as business but office/retail space as well; is there going to be sufficient parking; how do plans interface with plans for streets and sidewalks in immediate future; can solid timetable be developed for implementation of plans; project manager to coordinate implementation of plans, and building manager once building developed.

COUNCIL MEMBER GLASSHEIM REPORTED PRESENT

Mr. O'Leary stated that there's a consensus in all of those issues and believes that consensus in best interest of tenants and of city as well. He reported that in the next 2-3 weeks they need to take affirmative steps to proceed with this project; need to do request for proposals for the project manager and he will need to be brought on board very soon, need to set up selection committee on how to select project manager, need to firm up suggestions from ULI Institute on the downtown development commission and on how that structure of that organization would be established, need to so some indication of floating bond for part of debt of this project, need authorization to proceed with the development of an

15132

October 1, 1997

economic development administration grant application to the Department of Commerce, need to acquire a number of buildings if project is to proceed and demolish buildings to clear way for the construction of the project, and need to establish building ownership and how managed and use of proceeds of rentals. He reported that those are large issues, but reported that they are about to look at most exciting proposal to come to downtown Grand Forks in a hundred years. He reported that there is a long way to go and lot of issues to be resolved, lot of resources to be acquired, not only through Department of Commerce but through bonds and commitment of CDBG money. He reported they have received consistent word from Re-imagining Downtown Committee, ULI and HUD consultants that this is exactly the kind of project they need in Grand Forks to revitalize the downtown business district.

Dick Olson reported that this will be context in which everything will be covered with preparatory materials, information. He reported that their priorities in Development Corporation are primary sector industry, that when discussing with the Dep. Asst. Secretary in Department of Commerce, EDA, they discussed pri-orities, industrial building in the park, recapitalizing growth fund with revolving loan fund, and he wanted to talk about transportation, make airport air cargo ready, Mr. O'Leary brought up downtown, and it became evident that they were at risk of losing downtown as a useful business district and that came because people in south end of town were making attractive offers to the people who were burned/flooded out in the downtown to make downtown function, and in talking with consultants that without that core down there, need core of class A rent payers and with council's help and hiring of architecture, Mr. Laffen put plan together and offer was that they would look at third option (two out south), and would select one to go with for period for 60-90 days, etc. He reported they are in position to finalize plan, if can deliver at a market rate at very high end of downtown rental, these people will become tenants. He stated he thinks they can do job; people will ask whether City should be taking lead in investing downtown, and his answer is yes, no one else will do it. He stated that this building will pay taxes, expect building to be full and will not ask council to finance unless have lease commitments from tenants, building will cash flow, and will not only collect taxes buty make profit. He stated he would like to see owned by JDA, the revenues from this building could put \$250,000/yr. into JDA for economic growth in the city. He reported that out of sales tax putting about \$1 million/yr. and if can fill up the building in the Park and this building, have

another \$1 million yr. going into Growth Fund annually, and creating long term payback.

Lonnie Laffen, architect for the project, stated he would walk through plan, and also have display model of the area. He reviewed areas of the project, that their program was to find a way for 100,000 ft. of office space and associated retail, parking for that and how to place. He stated their first reaction was to start at corner of 4th and DeMers and that was reconfirmed by ULI and other consultants, and that this should be new city center, and that the First National Bank building is still an excellent structure and will stay, whether First National sells it or retains it, it's too good a building not to stay and tried to place strong city center around center. He reported that they relocated new buildings on the other three corners of that city square, and what would they like for the future - would like to have better way to get around during the winter and downtown has relative closeness of buildings and to connect those together - skywalks connect to various buildings (First National, Herald, etc.) and County is looking to build their building between Court House and this new center and opportunity exists to connect City Hall to a new city center down to the Court House all indoors.

Mr. Laffen reported that plan is for 70,000 sq. ft. building with parking ramp connected, skywalk across to smaller 30,000 sq.ft. building, and that's con-sidered Phase I; Phase II would be skywalk across DeMers that connects a small retail component that wraps around existing First National Bank building, and

15133

October 1,

1997

covers up two sides where two buildings burned, with small pocket park. He showed photos of model. He reported that the four buildings on that corner relate architecturally, with similar stone, brick, second floor cornice line, etc. and would look like planned development and strong image of downtown. He talked about televillage center in this center, skywalks connecting various buildings, future Empire Theatre connect into parking area. He reported that they tried to work around as many buildings as they could, downtown has a character that they didn't want to destroy, that they left all of buildings on National Register but these are big building and some areas have to be taken down - Bill Larson building, Kloster building, former building where Piper Jaffrey building was, rest fits in with existing buildings. He reviewed parking for employees and customers, connections, etc. He stated that he believes they really have an opportunity in this community and very few have chance to put all this back together at one time into a complex like this at the heart of the city and rather than being like every other suburb, we have chance to be nationally known for what we did after the flood, that Time magazine, Wall Street Journal will come back in a year and look at what we are doing and seeing how we've built a complex at the heart of our city.

Mr. O'Leary stated this is opportunity to answer questions about the project but that they need to understand that it's a concept, parking ramp may change loca-tion, configurations, etc. but this is first step to rebuilding our downtown, and everything is doable, and can produce

revenue stream for the City, can serve as core for our redevelopment of downtown (is receiving calls about small shops).

Mr. O'Leary reported they are working with consultants to give them a definition of what class A office space constitutes, beyond that the individual tenants would be responsible for that. He stated that ten-year lease would be maximum.

Council Member Polovitz asked for cost estimates of total plan. Mr. O'Leary reported they came up with \$5 million in CDBG monies, \$3 million in EDA money, and \$6 million in bonds, but numbers didn't include an adequate amount of off-street ramp parking and that would require another \$2 million - \$15 million for plan. Mr. O'Leary suggested that if on small courtyard with the shops facing courtyard they did a TIF on that portion of the project, would provide sufficient funds to develop this now. He stated that's important and would attract some of the small support retail space they need and do it now to give project momentum.

Mr. O'Leary also reported that approx. 80-90% of 100,000 sq.ft. of space in Phase I (two buildings and ramp) would be consumed immediately by potential tenants and balance of space in shorter term leases, that the tenants they are visiting with want to have capacity to grow here, and if overbuild basic space they need and rent out on shorter term to smaller operations so that larger tenants are going to demand space to grow into and will satisfy expansion needs. Council Member Carpenter expressed concern if space sitting vacant. Mr. O'Leary reported that the proximity of the city center mall to this complex enhances the value of those buildings also.

There was some discussion re. cash flow of the property, and Mr. O'Leary reported that the advantage of this project is that the level of risk from the City is very small and will be able to go into this with more than 50% equity position because using CDBG and EDA money.

Council Member Hagness questioned whether there was any commitment from major players before City commits itself to going ahead with the project. Mr. O'Leary reported that if this package put together with caveats discussed, the market rents, parking and overall downtown development strategy, he believes that this project will be filled by the potential tenants, but tenants aren't going to make commitment until know direction City is going in, and they have given window to put together package which will tie in with what space will cost, what redevelopment strategy is for parking, storefronts, etc.

15134

October 1, 1997

Council Member Hamerlik expressed concern about speed of the project, how quickly deeds could transpire, purchase and demolish, because of difficulty in securing ownership as with residential properties. Mr. O'Leary reported that he had con-tacted property owners on both sides of South 4th Street, price of buildings downtown depressed, and most property owners willing to entertain offers on their buildings, that what's holding up buyouts on residential buildings is not work on local level, it's the duplication of benefit issues on State level and not necessary on this project, only need to negotiate out agreement with the seller. He also reported that his suggestion is to proceed with the project manager to advertise that and have asked consultants to do a

program description of what that manager would do and thinks can do interviews within next week or so and get that person on board.

Mr. O'Leary presented two requests from the council today: 1) authorization to proceed with submitting grant application for up to \$3 million to EDA which would provide some of the equity City is looking for in this building which would be matched with up to \$5 million in CDBG money, and that is not a commitment of those funds at this time although indicates interest in pursuing an EDA grant to get this done. 2) to authorize solicitation of RFP from project managers who are accustomed to dealing with projects of this size. He reported that Mike Conlin is helping do the RFP for that to spell out duties and responsibilities, the staff's suggestion on selection committee are one to represent tenant group of those tenants who will be occupying these spaces, and that individual would be selected by the tenants, two from the city council appointed or selected by the council with staff support from himself, Dick Olson, John Schmisek and Gary Christianson (rep. River Forks Commission).

Council Member Hamerlik moved that we authorize to move forward with submitting grant application with the specifics as described by Mr. O'Leary. The motion was seconded by Council Member Polovitz.

Council Member Hagness asked who the major tenants were once committed; Mr. Olson reported that commitments will occur at the end of this 90-day period when have final definition of building costs, and that major tenants are First National Bank, Brady Martz firm and law firm that had been in First National Bank, and stock brokerage firm plus service facilities plus telecommunications center. He also reported that First National Bank has had some real interest in their building downtown, as well as consideration of highrise apartment building; this becomes nucleating devices for process.

Upon call for the question and upon voice vote, the motion carried 12 votes affirmative.

Council Member Beach moved authorization to do RFP to find manager for the project, with RFP sent to qualified firms, with staff recommendation to select committee of three, one to represent tenants, and two council members with staff support from Dick Olson, John O'Leary, John Schmisek and Gary Christianson. Council Member Carpenter seconded the motion. Carried 12 votes affirmative.

ADJOURN

It was moved by Council Member Hamerlik and seconded by Council Member Glassheim that we do now adjourn. Carried 12 votes affirmative.

Respectfully submitted,

John M. Schmisek  
City Auditor  
Approved:

Patricia A. Owens, Mayor