

**CITY OF SAINT PETER, MINNESOTA
AGENDA AND NOTICE OF MEETING**

Regular Workshop Session of Monday, March 19, 2018
Community Center, St. Peter Room – 5:30 p.m.
600 South Fifth Street

III. CALL TO ORDER

II. DISCUSSION

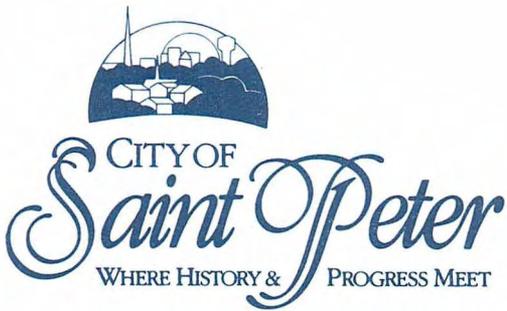
- A. Hospital Year End Financials Report
- B. 2008 B Hospital Revenue Bond Refinancing (Medical Office Building)
- C. Hospital Expansion Project Meeting Schedule
- D. Downtown Development Priorities
- E. Short Term Residential Rentals
- F. Internal/External Communications

III. ADJOURNMENT

****PLEASE NOTE MEETING LOCATION****

Office of the City Administrator
Todd Prafke

TP/bal



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 3/16/18

FROM: Todd Prafke
City Administrator

RE: Hospital 2018 Budget and project update

ACTION/RECOMMENDATION

None needed. For your information and discussion only.

BACKGROUND

My goal for this discussion was to have River's Edge Hospital and Clinic CEO Rohrich and CFO Zook provide their annual update for the Council on the 2018 Hospital budget. While the Council, by Ordinance, does not vote on the budget, we have had a tradition, for more than a decade, of the CEO or the CFO coming to share this budget information with you.

While they are here I have asked them to give a short update on the Hospital Expansion Project financing and remind us all of the big steps in the process that are coming up.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal



March 15, 2018

City of Saint Peter
 Todd Prafke, City Administrator
 227 South Front Street
 Saint Peter, MN 56082

RE: Refinance of 2008B Hospital Revenue Bonds

Honorable Mayor, Council members, and Administrator Prafke:

For some time we have been working with staff on the financing plan for the proposed remodel/expansion of the River's Edge Hospital & Clinic. A part of the financing plan includes the refinance of the 2008B Hospital Revenue Bonds that were issued to fund a portion of the construction cost of the Medical Office Building located on the hospital campus.

The 2008B bonds have a remaining principal balance of \$2,090,000. Reasons for the refinance of the 2008B Bonds are twofold in that; 1) net interest savings approaching \$300,000 can likely be achieved over the remaining principal payments; and 2) covenants that were incorporated into the 2008B Bonds would not allow for the implementation of the finance plan for additional hospital improvements as presently proposed.

We have recommended to staff that the 2008B Bonds be refinanced through the issuance of EDA lease revenue bonds, as it would assist in accomplishing the objectives outlined above. In order to implement this course of action it will require a series of actions by both the EDA and City Council. Those actions and the intended schedule include the following:

<u>Date:</u>	<u>Entity:</u>	<u>Action:</u>
February 22, 2018	EDA	Project discussion and call for hearing on creation of ED District
March 22, 2018	EDA	Hold hearing, adopt district plan, adopt bond resolution
March 26, 2018	City Council	Authorize project financing proposed by EDA
March 27, 2018	Pricing Committee	Receive financing proposals. If acceptable, sign bond purchase agreement and send call notice.
May 11, 2018	Staff	Closing

Following the public hearing to be held at the March 22, 2018 meeting, the EDA will be asked to act on two resolutions including a resolution establishing an economic development district (the Medical Office Building is the Project Area), and a Revenue Bond Resolution which establishes a pricing committee for the sale of bonds along with the structure, terms, and obligations associated with the proposed bond issue.

The bonds are structured as a lease revenue bond in that the EDA will be leasing the medical office building to the City of St. Peter and using lease proceeds to make bond payments. If the City fails to meet its obligations under the lease, the EDA would be able to lease the facility to another party for a period of up to 10 years beyond the final maturity on the bonds for the benefit of the bondholders. It is anticipated that hospital revenues supplemented by lease payments from Mankato Clinic will continue to be used to make debt service payments on the bonds.

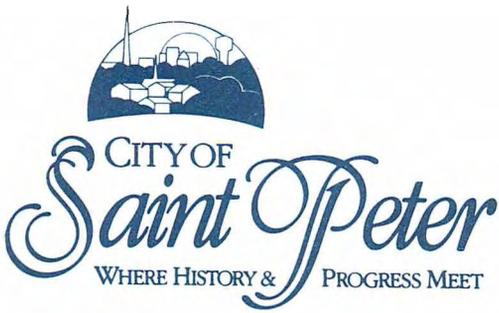
Enclosed for Council consideration at the March 26, 2018 City Council meeting is a draft resolution authorizing the lease agreements with the EDA, and providing a certificate of pricing committee.

I will be attending the March 22, 2018 City Council Work session to discuss this material in detail.

Sincerely,

A handwritten signature in cursive script that reads "Shannon Sweeney".

Shannon Sweeney, Associate
David Drown Associates, Inc.



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 3/16/18

FROM: Todd Prafke
City Administrator

RE: Joint City Council/Hospital Meetings

ACTION/RECOMMENDATION

None needed. For Council information only.

BACKGROUND

I am soliciting your input in scheduling a special City Council meeting the week of March 29th to consider action related to USDA financing for the 2018 Hospital Expansion Project. The need for the meeting is based on our latest information that we may have a funding and approval and conditions letter from USDA on the Hospital Project.

If we do, it is valuable for us to meet and provide an official response prior to the end of the first quarter. As discussed previously, interest rates will increase on April 1st and our response before that date will mean a substantial savings over the term of the loan. The change in interest we are expecting could be more than a quarter of a percent.

It is my hope to have discussion as a group to determine the date and/or time for the meeting with the following options:

- Wednesday, March 28th during the day
- Wednesday, March 28th during evening hours
- Thursday, March 29th during the day
- Thursday, March 29th starting at 7:30 p.m. (later start due to tornado commemoration event)

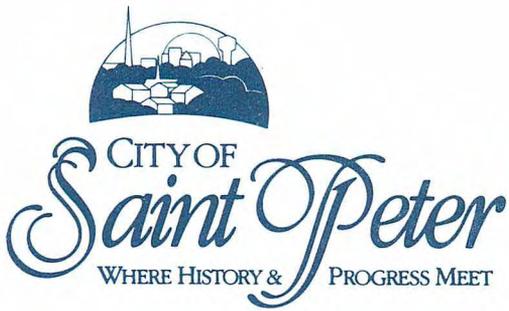
In addition, and as you may remember, a series of special meetings with the Hospital Commission has been scheduled for April 19, 2018 to take further action on bids received for the 2018 Hospital Expansion Project. Although the schedule may be modified as the date draws closer, the anticipated schedule is as follows:

5:30 p.m. Joint City Council/Hospital Commission Committee of the Whole
6:00 p.m. Special Hospital Commission Meeting
6:15 p.m. Special City Council Meeting

Please have your calendars available at the workshop on Monday, March 19th so we can further discuss this scheduling.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 3/16/18

FROM: Todd Prafke
City Administrator

RE: Downtown Development Priorities

ACTION/RECOMMENDATION

None needed. For Council review and discussion only.

BACKGROUND

This agenda item is another one of the topics we did not cover during the goal session in January.

Attached you will find the original (December 2007) memo on priorities for downtown development that we have referenced for a number of years.

Time has been included on Monday evening's workshop agenda for further discussion on this list. This meeting may be a great time to think about the priorities, which have not changed for a number of years, and determine if changes are needed.

As you know both Council and staff use these priorities to help direct policies and programs.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal

TO: Honorable Mayor Strand
Members of the City Council

DATE: 12/31/07

FROM: Todd Prafke
City Administrator

RE: Downtown Development

Action/Recommendation

For your discussion and input.

Background

The Council has discussed downtown development on many occasions over the last couple of years. In fact about four years ago now you had invited a developer from the Twin Cities down to visit about what was then this new idea of developing downtown in the middle of suburbia exemplified by Arbor Lakes in the northwest metro. She also discussed housing opportunities and what she believed were the key components to development of a successful downtown.

At past goal sessions you have developed what I believe to be a policy statement about your goals for the downtown. It may also represent some of your future wishes for your downtown. Your statement is:

DOWNTOWN PRIORITIES

- *Promote projects that improve or are sympathetic to the historic scale and nature of the downtown.*
- *Business development that promotes a mix of niche retail, food/beverage and entertainment. Promotion of office uses in upper floors is valuable to retail trade in the downtown.*
- *Building enhancements that are not only historically sympathetic. This should be done while promoting upper floor housing or living in the downtown. This will enhance use of businesses by creating density. This should be done while striving to maintain retail or service businesses on the lower floors of buildings.*
- *Promote uses, events, activities that set the downtown as a place of destination.*
- *Use arts and cultural activities to promote the use of downtown as a destination.*
- *Continue to provide EDA dollars to build and upgrade buildings in the downtown.*

**This statement was last discussed in December but was last modified in July of 2007.*

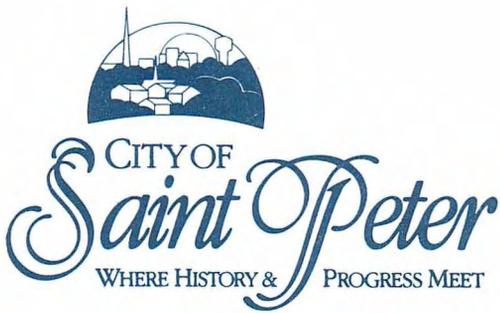
You are very likely to continue to have additional activity in the downtown over the next three to five years and because this is an issue that will likely come up relative to a potential development on Parking Lot #5, it is my hope that you will take a few minutes to review your priorities that are listed above and that we can discuss some bigger policy issues relative to development in your downtown.

I have attached an aerial photo of your downtown district and some information about the proposed median as well as the previously seen rendering of a potential building to be built on parking lot #5.

Again, my goal for your discussion is to start by reviewing the Downtown Priorities and reviewing potential opportunities for downtown development and its' impact on the community downtown. As you see additional development it is likely that you will need to make choices relative to those developments. There is at times an active tension between the wants of any developer and the best long range interests of the downtown and the community. It is my hope that your past discussion and this discussion will yield a consensus so that clear direction is given.

Please feel free to contact me if you have any additional questions or concerns.

TP/bal



Memorandum

TO: Todd Prafke
City Administrator

DATE: 3/16/18

FROM: Russ Wille
Community Development Director

RE: Short Term Residential Rental

ACTION/RECOMMENDATION

None needed. For Council consideration and discussion only.

BACKGROUND

Short term residential rental companies, (exemplified by Airbnb) are internet based reservation systems for short term rental of private properties. For a fee, these types of companies will market available lodging options and reserve the property on behalf of the owner.

At this time, according to the Airbnb site, there seems to be at least three (3) properties being marketed in this way within the Saint Peter city limits. They each appear to be single family dwellings. The online literature on the website suggests that lodgers can rent individual rooms as well as the entire house. Two of the operations are listed as having five beds available to guests. The third property is listed as having ten beds available for occupancy.

Each of the existing properties offering short term residential rental are located within (R-2) One and Two Family Dwelling zoning districts.

The Saint Peter Zoning Ordinance defines a Bed and Breakfast within Section 24-15 General Description of Commercial Use Types as follows:

(36) *Visitor Habitation: Establishments primarily engaged in the provision of lodging services on less than weekly basis with incidental food, drink and other sales and services intended for the convenience of guests. The following are visitor habitation use types:*

- a. *Bed and Breakfast: An owner-occupied dwelling designed and utilized as a single-family residence, managed by the property's owner, and having bedroom accommodations and dining provisions, served in the owner's private dining room or kitchen for those accommodated as paying guests.***

- b. Campground: Campground facilities providing camping or parking areas and incidental services for travelers in recreational vehicles or tents. Typical uses include recreational vehicle parks.**
- c. Hotel/Motel: Lodging services involving the provision of room or board. Typical uses include hotels, motels and transient boarding houses.**

Most would likely interpret the adopted Zoning Ordinance in a manner that suggests that none of the current short term residential rental properties are in conformance with the provisions of the Code.

The Ordinance says that a Bed and Breakfast operation must be owner-occupied. A review of the Airbnb website suggests that the three units in Saint Peter are rented as an entire home in the absence of the homeowner's occupancy. If that is accurate, they are operating outside of the Zoning Ordinance.

Unless the property is owner-occupied it makes no difference that a Bed and Breakfast can be established as a Conditional Use within an (R-2) zoning district and the City cannot waive required occupancy of the owner through a Conditional Use Permit.

A review of Building Department files indicates that two of the Saint Peter properties offered on Airbnb have been licensed by the City as Residential Rental Properties.

The applicable Ordinance defines Residential Rental Property as:

Any building, structure, room, enclosure, or mobile home including the real property upon which it is located and which surrounds it, which is rented or offered for rent by any person to any other person for use for residential purposes by such other person. The term "residential rental property" does not mean on-campus dormitories, Regional Treatment Center units, hospital units, nursing home units, and hotels or motels with daily rental units, located within the City, all of which shall be specifically exempt from registration and certification under this article.

If the properties are considered Residential Rental Property, the matter has been appropriately addressed via the Building Official's inspection and licensing of the units.

If the properties are considered to be Bed and Breakfast operations based upon the Visitor Habitation use classification within the Zoning Ordinance, a few decisions would need to be made to appropriately regulate the operations.

The first option would be to inform the owner that the short term residential rental services are not allowed until a Conditional Use Permit is granted by the Board of Zoning Appeals and the operations are undertaken with the homeowner's occupancy of the residence.

Alternatively, if the City Council is of the opinion that the existing short term residential rental operations should be allowed, steps should be taken to amend the text of the ordinance to provide for a Bed and Breakfast to be operated without being occupied by the owner.

- Regardless of whether or not the short term residential rentals comply with the zoning ordinance, there are other areas that should be clarified and additional policy direction

provided. For instance, should short term residential rental property owners be paying the lodging tax applied to the hotels in town?

- Given that Visitor Habitation (Bed and Breakfast) is considered a “Commercial Use Type” by the Zoning Ordinance, should the property owners be paying the commercial utility rates charged to the hotels in town?
- The Nicollet County Assessor has suggested that the County intends to review the tax classification of short term residential rental operations in Saint Peter.
- To receive the real estate tax benefits available to a Bed and Breakfast operation via Minnesota Statutes §273.13 Subd. 25(d), the property must qualify as residential – homesteaded tax classification. That is, the property must be occupied by the owner to the extent that they qualify as a homestead. It appears that the homestead qualifications will be further scrutinized by the Nicollet County Assessor’s office.

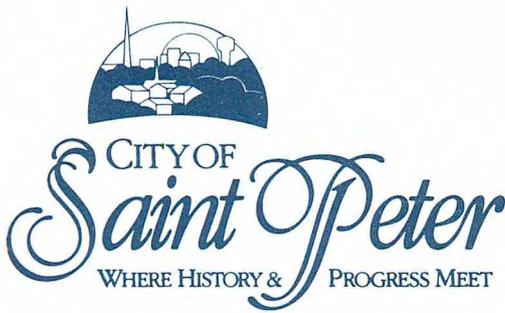
All of these are less about regulation and more about fairness to other tax payers, rate payers and property owners.

Other requirements of the applicable Statute are that rooms are provided to transient guests for periods of fewer than 14 consecutive days and that meals are provided to those who rent rooms without additional cost to the lodger. It should be noted that with very few exceptions, the Statute does not allow meals to be served to the general public.

Finally, the City Council may wish to consider additional regulations intended to protect the health, safety and general welfare of those seeking room and board. For instance, the Council may wish to establish an inspection protocol to ensure that rooms are provided with the appropriate emergency egress and fire extinguishers as well as smoke and carbon monoxide detectors and alarms.

Please feel free to contact me should you have any questions or concerns on this agenda item.

RJW



Memorandum

TO: Honorable Mayor Zieman
Members of the City Council

DATE: 3/16/18

FROM: Todd Prafke
City Administrator

RE: Internal/External Communications

ACTION/RECOMMENDATION

None needed. For Council review and discussion only.

BACKGROUND

This agenda item is another one of the topics we did not cover during the goal session in January.

The City utilizes several different methods for communicating with the public as shown below:

- Hot Sheet – weekly newsletter sent via email and fax and available on home page of City website
- Facebook - <https://www.facebook.com/CityofSaintPeter>
- Twitter
- YouTube Channel – <https://www.youtube.com>
- Public Access Channels 7 and 8
- Utility Bill Flyers – approximately 3,000 bills mailed out
- City Website – www.saintpetermn.gov

Discussion on the City's communications efforts has been scheduled as part of the workshop on Monday evening to give the Council a chance to determine if the current actions meet your goals and/or to brainstorm other ideas for ways to communicate the City's message and activities to the community.

Please feel free to contact me if you have any questions or concerns on this agenda item.

TP/bal