

CITY COUNCIL PROCEEDINGS

September 13, 2011

The City Council met at 5:00 p.m. in special session with Mayor Pro-Tem Tony Zimmerman presiding. Council present: Humann, True, Shepherd and Zimmerman who was acting as chair. Council absent: Tooley.

The meeting was held at the Welcome Center; City Hall was not available for the meeting because the State Auditor's Office was in the process of auditing the City's records.

Guests in attendance: Lori Holste.

City staff in attendance: Jim Blum and Terri Abel.

Motion by Humann, seconded by Shepherd to approve the agenda. Ayes: Zimmerman, Shepherd, Humann, True. Carried.

The purpose of the meeting was to discuss the possible purchase of commercial property.

Kelly Wise had attended the last regular City Council meeting to request the City Council's consideration in purchasing the Villager Restaurant to ultimately offer the property as a business opportunity. The decision was made at that time to schedule a special meeting of the Council to further discuss Wise's suggestion.

Abel stated that she had discussed the condition of the property with Stephanie Taylor, of the Foreclosure Department of U.S. Bank, the owner of the property. Taylor had stated that the property is tentatively scheduled for disposition via public auction on October 19, 2011. The property will not be sold and the auction date will not be finalized until proper mold remediation has been completed and the property tests clear, free from mold spores. Taylor had also indicated that the auctioneer would be able to schedule an open house of the building with the City should the Council so desire. Most of the Council members had already had the opportunity to recently view the interior of the building.

Abel provided the Council members with a list of contact information, including telephone numbers for U.S. Bank representatives, a representative of the auction company, and a property management contact.

Abel also reported that she had discussed the possible purchase of the property with City Attorney Richard Schenck. Schenck stated that it would be advisable for him to review the title, to make certain that the City would receive clear title to the property. Abel was not certain of the cost of the title opinion. Schenck also advised that the City make arrangements for the property to be properly inspected before purchase.

Lori Holste, the Executive Director of the Western Iowa Development Association, stated that she has always cautioned cities from becoming landlords, especially since city ownership takes the property off the tax rolls. She noted that some communities use incentive tools to entice new business. Lori stated that WIDA does not have the tools to be a redeveloper; however, WIDA has an associate that can be a redeveloper for the area, the Pottawattamie County Development Corporation, PCDC. PCDC is operated through the Council Bluffs Chamber of Commerce, with Bob Mundt as the Chamber president. Lori indicated that PCDC has been a redeveloper in Walnut in the past. She said that she had recently visited with Bob Mundt, who had indicated that the organization is interested in locating a project in Pottawattamie County.

Holste noted that there are no guarantees in regard to development matters. Even the very best and most attractive properties can sit vacant for a long period of time. Lori felt that perhaps the local economy is showing some strength because recently there have been more small business developers interested in the area. She gave the example of Avoca resident, Clint Fichter, who is interested in finding a building to start a software business. Lori also mentioned that a couple from Nebraska is interested in starting a restaurant in the area. Holste said that each community in the WIDA area has at least one, if not more, restaurants for sale. She cautioned that restaurants need a great deal of local support in order to survive.

Holste distributed information pertaining to the Pottawattamie County Development Corporation. According to the information, PCDC focuses solely on the redevelopment of underutilized or contaminated property, acting to acquire, remediate and prepare land for development that would not be privately feasible to assemble. Multiple projects include the expansion of Griffin Pipe in Council Bluffs, the cleanup of

various other properties in Council Bluffs, and the clearance of property for the West Broadway entrance in Council Bluffs. The projects have been completed in partnership with the City of Council Bluffs, Pottawattamie County, the Iowa West Foundation, and the private sector. Lori explained that the past director was quite aggressive in finding and completing several of the past projects. PCDC recently hired a new director; the past director is now working in the private sector on a consulting basis.

Lori was not aware of any State financing that would be available to the City for the purchase of the Villager property. The State's current focus is primarily on new or expanding research and development companies. Nishnabotna Valley REC has a revolving loan that could be used for development purposes in the community.

PCDC actually purchased the property that is located at 236 Pearl Street, cleared all of the pallets from the property, and ultimately deeded the property to the City with an agreement. The agreement stated that the City would hold title to the property for a minimum of ten years. If the City were to sell the property before ten years, the City was required to pay PCDC a portion of the proceeds from the sale of the building. Abel noted that the City actually sold the building in approximately the seventh year of the agreement, putting the property back on the tax rolls. As previously agreed, PCDC received a portion of the proceeds from the sale.

Shepherd stated that the community is in need of a restaurant, and she hoped that a restaurant would be interested in locating at the Villager property. Abel commented that she did not feel that the City should be bidding against someone in the private sector who is interested in purchasing the property. Shepherd stated that there are probably people who would be interested in buying the building at a low price and immediately selling the property for a profit. Shepherd also felt that there are probably people who would be interested in demolishing the building and selling the bare lot. There was also some fear expressed that the building would be converted to storage, especially if the purchase price was extremely low. Humann felt that the City could conceivably control the use of the building by purchasing the property.

Abel commented that the City is definitely interested in keeping the building on the tax rolls, encouraging the development of a viable business on the property. If the property is not sold and taxes are not paid, the property could eventually be sold again on tax sale. Blum also surmised that there could be liens on the property; Holste said that it might be possible to obtain any lien information from U.S. Bank. Humann questioned the legal costs involved in leading up to the process of the City submitting a bid on the property.

During the course of the discussion, comments were made that the Villager property would make a wonderful convention center or community center. Shepherd suggested that should the City purchase the property and not be able to find a developer, the City could always maintain the property, converting the building into a community center. There were some comments that there would not be enough available parking for a community center unless an easement was obtained from a neighboring property owner. Everyone agreed that the lack of parking is a definite obstacle to the property; a legal easement for parking would help to alleviate the problem.

There was a brief discussion concerning the water supply to the property. The property is currently served by a private well. There was some question about whether Regional Water would have the ability to serve the property or whether the City would have the right to serve its own property with City water.

Zimmerman summarized that the City is not interested in bidding against bidders; the City would also prefer that the building not be converted into a warehouse. The pros and cons of bidding on the property were discussed as well as the pros and cons of attracting a new restaurant to the community. Abel commented that the best case scenario would be to attract a small business that would provide five or fewer head-of-household type employment opportunities to either employ local people or attract new residents to the community.

Zimmerman felt that it would be better for the City to offer incentives to a potential buyer rather than the City actually purchase the property. He further suggested that the auctioneer inform the public about the City's incentives before the property is auctioned. The property is in the City limits, and the City would have the authority to offer a tax rebate or pay a specified amount for job creation, for example. True felt that the prime location of the property would be conducive to attracting business.

The Council members briefly discussed franchise restaurants; Holste stated that it is extremely difficult to attract a franchise restaurant, and the car traffic is not high

enough to attract such a business to the interchange. They felt that perhaps a locally-owned restaurant owner would be more attracted to the site. During the course of the discussion, Blum stated that he had talked to Neal Larsen, who owns a restaurant in nearby Elk Horn. Larsen had indicated that he would perhaps be interested in talking to the City, should the City opt to purchase the property. It was also discussed that Walnut has not had a great track record of supporting a local grocery store.

Holste questioned whether Kelly Wise, the property owner of the adjacent property, would be interested in purchasing the property, especially if the City were to offer incentives. True reminded those in attendance that Wise had mentioned that he would have some restaurant contacts who might be interested in the property. Shepherd did not think that Wise would be interested in developing a restaurant on the site.

The Council members briefly discussed the heating system and the plumbing system in the building, both of which had allegedly been allowed to freeze and break. Blum did not think that the plumbing repairs would be a major issue, and he estimated that it would cost \$5,000.00 to \$6,000.00 to replace the plumbing system. Zimmerman estimated that it could cost from \$30,000.00 to \$40,000.00 to install a new heating system in the building. Holste noted that USDA has programs available to help businesses install those types of heating and plumbing systems.

Zimmerman felt that it would be more advantageous for the City to develop an incentive package to entice someone else to purchase the property. Examples given were tax rebates, free sewer service and sewer connection fees, and a specified amount given per job created after the first three years of business. Nothing definitive was decided upon as a result of the discussion.

Shepherd suggested that the City make the initial statement that the City of Walnut is willing to give incentives and rebates depending on the use of the property and the creation of jobs. The statement would give the City the opportunity to build an incentive package; however, Zimmerman pointed out that a City incentive package would not stop someone from buying the property and converting the building into a warehouse.

The Council members once again discussed the pros and cons of owning the property, including the potential costs of improvements just to make the building marketable. They also discussed neighboring communities and development groups that had buildings for sale for several years with minimal success in attracting new businesses.

Blum reminded the Council members that the property is to be sold by absolute auction, which means that someone could purchase the property for a very low amount of money. Lori Holste suggested that perhaps the City should attend the auction with a specified pre-determined bid in mind, especially if the City is interested in determining the proper use of the building. Abel felt that the neighboring property owners would be interested in obtaining the Villager property to protect their own investments, especially if the property was sold for a small sum of money. True questioned whether all of the adjoining property owners were aware that the property is to be sold on absolute auction. True also surmised that perhaps the property would be more appealing to a developer if the building was gone and only the land was offered as an incentive.

No one was certain whether the bank would guarantee clear title when the property is sold or whether it would be advisable for the City Attorney to do a title search before the property goes to auction. The Council members agreed that it would be possible to telephone U.S. Bank to determine whether or not the bank would guarantee clear title to the property.

Holste indicated that she would be willing to provide the Council with sample incentive packages used by other Iowa communities.

After further discussion, the decision was made to include discussion of the possible purchase of commercial property on the agenda for the next regular City Council meeting. Holste indicated that she would provide the Council with sample incentive packages, and she would also be willing to attend the next City Council meeting to discuss possible incentives. Abel was instructed to contact U.S. Bank to determine whether or not the bank would guarantee clear title to the property.

Blum questioned whether Kelly Wise should be contacted to determine whether or not he would be willing to grant an easement to alleviate the issue with the lack of parking around the Villager building. Lori Holste stated that she would contact the couple from Nebraska who is interested in developing a restaurant in the area to find out if they would have any interest in the Villager property.

The Council members once again discussed the pros and cons of bidding on and owning the property. Zimmerman commented that he did not feel that the owners of the adjacent businesses would allow the Villager property to be sold to a buyer for very little money. He felt that the business owners would want to protect the investment that they have already made in their properties. Tony thought that perhaps it would be advisable for the City to offer an incentive package rather than purchase the property.

On a final note, Lori Holste stated that she would contact the Pottawattamie County Development Corporation to suggest that the organization consider the purchase of the Villager property as its next project. Lori felt that PCDC might be interested in a Pottawattamie County project outside of the Council Bluffs area. Holste said that if PCDC is not interested, she would contact the ex-director of PCDC, Andrea Kathol, to determine whether her private consulting firm would be interested in the project.

Meeting adjourned, 6:25 p.m.

Tony Zimmerman
Mayor Pro-Tem

Terri L. Abel
City Clerk