City of Parks, Trees and Trails

City of Rushford

101 N. Mill Street • P.O. Box 430 • Rushford, MN 55971-0430
www.rushford.govoffice.com
Phone: 507-864-2444 Fax: 864-7003

On behalf of the City of Rushford and School District tax payers alike, the attached packet is being provided for your information regarding the former R-P elementary and high school facilities. The City Council felt it was a responsibility of theirs to work with the School District to determine what could be done with the structures that was in the best interest of everyone. Over the course of the last few years staff spent time interviewing and collecting information to fully explore the best, viable options.

Provided is the summary information packet which culminated in a proposal from the City of Rushford to the R-P School District last year. Based on the absence of financial tools typically available for this type of project and lack of developer interest to invest and fully utilize the facilities, the City proposed to raze the buildings and find a legitimate developer that offers the best viable plans for the site.

The City didn't make the proposal lightly. The task of redeveloping the site would be time consuming and incur some risks. However, the evidence is clear that the site can be redeveloped into something which stands a greater chance to add value to the City and the R-P School District. Anything less than a full redevelopment of the site would not offer optimal benefits and tax generation, given the many improvement needs and requirements of the existing buildings.

We ask that you take the time to read and share these documents which have been reviewed by the Rushford EDA, Planning Commission, City Council, the School District's Facility Committee and the R-P School Board. It would be too costly and time consuming to share these documents in printed form; however, in this day and age we can reach out to you by other means. If you have any questions about these documents after you've read them, please feel free to contact and visit with me.

Thank you
Tony R. Chladek
City Administrator

The City of Rushford is an equal opportunity provider and employer.

RP SCHOOL PROPERTIES INDEX OF EVENTS/BACKGROUND INFORMATION

1. Memo from Administrator Chladek summarizing history of discussions on the RP School Properties

2. Minnesota Historical Society letter regarding property evaluation

3. Maxfield Research letter regarding 2015 Housing Needs Analysis

4. Greater MN Housing Fund and MN Equity Fund letter regarding housing

5. Semcac Team letter after consulting with Three Rivers Community Development Director

6. Bolton & Menk Demolition Review Summary and Estimated cost: Two large reports include:
   - Destructive Hazardous Materials Inspection Report/Dec 2017
   - Phase I Environmental Site Assessment/Dec 2017

7. Rushford-Peterson School letter to potential developers for redevelopment/repurposing of the old school site; items to be considered in the proposal

8. Notes from David Kane, consultant hired by R-P Schools regarding potential developers

9. Notes from David Kane regarding reasons for developers declining interest in a project

10. Redacted emails from a potential developer who had originally made contact with Administrator Chladek, and eventually declined

11. Proposal sent to RP School from potential prospect for a repurposing project; no further detail has been provided by the group

12. Mike Bubany of David Drown Associates letter regarding proposed financing plans for potential school redevelopment project

City of Rushford

101 N. Mill Street • P.O. Box 430 • Rushford, MN 55971-0430
www.rushford.govoffice.com
Phone: 507-864-2444 Fax: 864-7003

TO: Mayor, Council

FROM: Administrator Chladek

About two years ago the RP School District and the City of Rushford began to explore community-friendly options for the vacated elementary and high school buildings. District and City officials met with finance consultants, engineers, and various developers (both non-profit and for-profit). Officials researched various financial tools at their disposal and how they might be used to redevelop the buildings. And recently, the School District solicited proposals to redevelop the buildings. Below are some of the findings:

- Low-income housing tax credits, an important tool to help developers finance building repurposing, are very competitive and larger cities tend to get them.
- Historic tax credits, which would also be key to saving the buildings, aren't available due to the number of modifications the buildings have seen over the years.
- The Minnesota Housing Partnership, experienced in financing these types of projects, disclosed the cost to repurpose the buildings will far exceed the cost of demolition and constructing new.
- For example, repurposing the buildings would require correcting accessibility issues and relocating / upgrading building utilities among other such things. This makes redevelopment of the buildings cost-prohibitive for developers.
- Partial demolition (the elementary for example) for new construction complicates plans for the use of the remaining buildings or school building location.
- Developers have expressed more of an interest in the location without the buildings.
- Demolition of the buildings should take place while still in public ownership. Developers have walked away because they do not want to take on backlash from those who, due to sentimental attachment, perceive salvaging the complex as financially feasible.
- Neither the RP School District Board nor the City Council is interested in being a long-term owner of this property. Both are highly motivated to see the property transferred 100% to private ownership in one transaction (assuming an acceptable development proposal can be secured).
- The City Council has no desire to renovate any of the property into a community center.
- The most recent request for proposals has not yielded any suitable prospects to repurpose these buildings.
- Based on a recent market study and the fact the School District size is increasing, it appears a housing project would be the most appropriate for the site, specifically rental housing. Repurposing the buildings, due to the extraneous costs mentioned above, would drive rents beyond market levels.

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Vacated school buildings can take years to be redeveloped, if at all. As time passes, the costs continue to rise making potential projects even more difficult to finance. In the meantime, the buildings would likely fall into a deeper state of disrepair and reflect poorly on the community.

These buildings served their purpose quite well for many, many years. The new RP School now carries on in that same spirit. The School District is being mindful of the City of Rushford's interests in the health and welfare of the community, which the City Council very much appreciates.

In light of all the information collected there are no easy options. Based on information provided by prospective developers, consultants and various government agencies, the unfortunate conclusion is that sustaining old school buildings in a community of our size is simply not feasible. However, interest in investing in the site has been expressed by housing developers should the site be made shovel ready.

The City is better armed to pursue development than the School District due to the tools state statutes provide. As such, the City Council met to consider making a proposal to the School District to take responsibility for the site going forward.

2

Minnesota
Historical Society

State Historic Preservation Office

April 9, 2013

Tammy Lindberg
Lindberg Consulting
Minneapolis, Minnesota

Re: Property evaluation for Rushford School, Rushford, Minnesota

Dear Ms. Lindberg:

Thank you for the property evaluation submission on the Rushford School in Rushford, Minnesota. We apologize that it has taken some time to complete a review of the property documentation, but our office is very busy.

The documentation for the school explains that the complex of buildings is eligible for listing in the National Register of Historic Places at a local level under Criterion A in the areas of education and social history. The documentation also explains that the components of the school were constructed at various times: 1906, 1936, 1957-1960, and 1970.

Rushford School is similar to many other schools around Minnesota which reflect the period of consolidation about the middle of the twentieth century. Unlike large communities (Minneapolis, St. Paul, Duluth, Rochester, etc.) that host several schools, Rushford became home to one large school; there are no other school buildings in the community that can be contrasted with Rushford School (this condition is common to many small towns). For this reason, it is generally understood that a lone school within a community like Rushford has local historic significance. The information offered in the property evaluation for Rushford School largely reinforces this notion. However, the principal issue with Rushford School is not its historic significance but its historic physical integrity, which is troubling.

Rushford School has been substantially altered over time. Indeed, the extensive footprint of the school additions causes the original 1906 component to appear something of a vestibule. Still, these appendages can have significance in their own right, and the narrative correctly notes that the additions reflect the pattern of a growing school in a small town, especially growth initiated to a substantial degree by consolidation. Yet, the components of the school must retain enough of their character-defining features to reflect the school's period of significance.

The original main entrances for the 1906 section have been infilled, as has the original main entrance for the 1936 component. Windows in each of these sections have been changed as well. The entrance doors in the west facade of the 1906 building have been changed. Additionally, a chimney and dormer at the west elevation have been removed. The walls within the 1906 section have been reconfigured and the original stairway modified. The original interior of the 1936 addition has been largely wiped away. More, the original flat roof of the 1957 addition has been replaced with a gable roof. The flat roof was a major character-defining part of the 1950s building. Replacing it with a gable roof is not sympathetic to its original modern aesthetic.

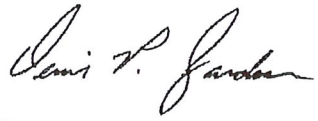
A property can withstand a certain level of change, but eventually the change becomes too great and the property no longer adequately recalls its period of significance. Moreover, some change is viewed less favorably than other change. For example, replacement windows in and of themselves may not be terribly damaging to historic integrity. However, replacement windows plus infill is more problematic, for this creates an aesthetic that does not even approximate the windows that historically filled the window openings. And yet if this was the only integrity issue with a property, it may not be enough to disqualify it from the National Register. It is the accumulation of change, as well as alteration of major character-defining elements, that determine whether or not a property retains historic integrity.

An additional area of concern with the Rushford School is the period of significance. The period of significance cannot reach to 1970, for this is less than fifty years ago. Properties must be at least fifty years old to be considered for the National Register, thus the 1970 component of the school cannot be eligible for the historic listing. The only exception to this rule is if it can be demonstrated that a property is of "exceptional significance." Exceptional significance is not easy to achieve. A few examples help to illustrate this point. The IDS Tower in Minneapolis is eligible for listing in the National Register of Historic Places even though it is less than fifty years old, for when the IDS was constructed it immediately and profoundly changed the skyline of Minneapolis. Additionally, Peavey Plaza in downtown Minneapolis was recently listed in the National Register as exceptionally significant because it is a nationally important Modernists landscape designed by one of the country's leading landscape architects. National scholarship on the plaza is extensive. Any exceptionally significant argument demands considerable contrast with like properties on at least a state level, and often on a national level, as was the case with Peavey Plaza.

The SHPO agrees that Rushford School has a history that is important to the community, and the complex clearly illustrates school consolidation, but in order for a property to be eligible for listing in the National Register it must possess both historic significance and historic integrity. At present, the historic integrity of the property is too troubling for the State Historic Preservation Office to recommend it to the National Register of Historic Places.

If you have any questions, please let me know.

Sincerely,



Denis P. Gardner
National Register Historian
MN State Historic Preservation Office

3

Maxfield Research Inc.

May 20, 2015

Mr. Stephen T. Sarvi
City Administrator
City of Rushford
101 N. Mill Street, P.O. Box 430
Rushford, MN 55971

Dear Mr. Sarvi:

Attached is the *Comprehensive Housing Needs Analysis for Rushford, Minnesota* conducted by Maxfield Research Inc. The study projects housing demand from 2015 through 2025, and provided recommendations on the amount and type of housing that could be built in Rushford to satisfy demand from current and future residents over the next decade.

The study identifies a potential demand for approximately 240 new housing units through 2025. About 56% of the total demand was for senior housing; while general-occupancy housing accounted for 44% of the demand. Demand was highest for active-adult senior housing (42 units) followed by single-family for-sale housing (33 units). Although the for-sale housing market has been slow since the recession, the existing lot supply is low and new platted lots will be needed to accommodate the projected demand.

Based on our findings, we recommend that a moderate-income general occupancy development could be supported as well as move-up single-family homes. Executive level homes, while still in demand, are currently experiencing slower absorption. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

If you have any questions or need additional information, please contact us. We have enjoyed conducting this study for you.

Sincerely,

MAXFIELD RESEARCH INC.

Matt Mullins

Matt Mullins
Vice President

Mace Wescott
Analyst

Attachment

(4)

Rushford City Administrator

From: Hal Clapp <hclapp@gmhf.com>
Sent: Tuesday, June 28, 2016 1:46 PM
To: Chuck Ehler; rushford@acegroup.cc
Cc: jimhoiness@acegroup.cc; David Kane; Cindy Vitze (cindy.vitze@semcac.org); Vonda Budde (vonda.budde@semcac.org); Wayne Stenberg (wayne.stenberg@semcac.org); david.kane@wsn.us.com
Subject: RE: Rushford School Project
Attachments: Sept. Oct. 2009 Magazine.pdf; Winona school revised.xls

Hi thanks Chuck, I have been doing some calling around but have not connected with CEDA yet but SEMCAC staff is interested in being part of the process we put together. It looks as if the architecture firm (according to their website) offers community planning type services so it may be worth giving them a call and finding out what their cost range is and types of services. I have copied David on this email as well.

Also attached is an older article that talks about preserving historic schools and different ways they were re-purposed. As I think more about the Low Income Housing Tax Credit option for the Rushford school it seems less of a possibility given that the housing study does not indicate a strong need for that type of housing. In one of the examples there was a phased approach to the renovations which may be a way to go, but that will all get flushed out as we are able to dig deeper into possible uses costs, financing etc.

I am attaching a pro-forma for another school re-use project we were involved in – seems like $7-8M is the going rate wh[illegible] has me thinking more seriously about a phased approach.

Thanks and will hope to get back to you all yet this week.

Hal

Hal Clapp
Loan & Program Officer
Greater Minnesota Housing Fund (GMHF) & Minnesota Equity Fund (MEF)
332 Minnesota Street|Suite 1201 East, Saint Paul, MN 55101
800-277-2258 x.103|651-221-1997 x.103|612.964.8737 cell
e-mail: hclapp@gmhf.com |web: http://www.gmhf.com| http://www.mnequityfund.com

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Sources
Mortgage
Historic Tax Credit * Fed. Historic Rehab Tax Credit
Tax Abatement or TIF
Leases
Syndication Proceeds? linked to tax credits
DFED - Small cities
MHFA/GMHF * - Low income Housing tax credit

Pursue - Historic Designation
Historic Tax credit
HOME Funds
CDBG Funds
AHP Funds

From: Chuck Ehler [mailto:chuckehler@r-pschools.com]
Sent: Tuesday, June 28, 2016 9:20 AM

SEMCAC Team after consulting with Three Rivers Community Developm Director.

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Pre-Development Summary
Rushford School Site
August 2016

Currently the MN Housing Finance Agency (MHFA) funds 1 out of 5 projects. Unfortunately, Rushford is not in a targeted growth area and the proposed phase 1 project is too small for a tax credit proposal. Thirty units at one time is the number that is typically targeted for a large scale project.

The site is currently 3.5 acres. You would need most of that to create a 30 unit town home project. The estimated value of a project this size is $8 million dollars. MHFA will not fund this project because of their current target areas. MHFA is also focusing on communities that have job growth of 100 to 200 jobs a year.

Possible funding streams could be:

Tax abatement - County
Housing Redevelopment Authority (HRA) – Bonding
Tax Increment Financing (TIF) – City
Minnesota Housing Finance Agency (MHFA) – Homeowner Incentives for Single Family
Minnesota Department of Employment and Economic Development (DEED) – Work Force Housing
Federal Home Loan Bank of Des Moines -Loans
Local Funds
School District

The current valuation of the property is too high for a TIF district at this time. The lower the value at the beginning allows the city to generate more TIF at the projected completion of the project.

Before anyone is going to development the site there must be a plan in place. Questions that remain if current buildings remain: Who is going to maintain the cost of up keep? Where are the revenue streams coming from? Are there any developers waiting to start a project?

Drawbacks of trying to do a development project on an old school site:

1) It is risky to develop a site adjacent to big vacant buildings / lots of issues will follow.

2) Old school sites are tricky and they are becoming more common around the state.

3) Community spaces can become very expensive to maintain.

4) MHFA will not fund because of size and scope of proposed project and location.

5) Historic Tax Credits are very costly and restrictive.

One option is to make a project that is attractive so it will draw in developers. This would include demolition of the current site so that the 3.5 acres becomes build ready. At that point you would have an area that could be zoned for housing or be considered for something else?

A number of options could be explored.

Lots for sale to homeowners / developers.

DEED has workforce housing that may come to the table.

Prime land in the middle of the city to develop as needed.

MHFA has assistance for first time buyers.

There is still a lot of work that would need to occur before considering the clean lot route but it could be more expedite, shows progress and should be considerably less costly over the long run than trying to work with the current situation.

(6)

BOLTON & MENK
Real People. Real Solutions.

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Mankato, MN 56001-5900

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Bolton-Menk.com

January 19, 2018

Tony Chladek
City Administrator
City of Rushford
101 North Mill Street
PO Box 430
Rushford, MN 55971

RE: Rushford School Demolition Review
City of Rushford
Project No.: H19.115224

Mr. Chladek:

As requested by the City of Rushford, Bolton & Menk Inc. has reviewed the two reports prepared by Braun Intertec and put together a cost estimate for the demolition of the building. The two reports reviewed were the:

1. Destructive Hazardous Building Materials Inspection Report dated December 18, 2017 (Report)
2. Phase I Environmental Site Assessment dated December 20, 2017 (Phase I ESA)

Asbestos

The Report meets the MPCA criteria for pre-demolition testing in place at the time of this letter. The report indicates that significant asbestos abatement will be required prior to demolition. Asbestos containing damp proofing would potentially increase the cost of asbestos abatement. The abatement will likely be done by "wet" methods. The cost of abatement will therefore be influenced by both the time of year of the project and the access to water at a reasonable price.

The company doing the abatement will be required to be licensed for asbestos abatement. A list of contractors and consultants that are licensed by the State of Minnesota is available on the MN Department of Health website at: http://www.health.state.mn.us/divs/eh/asbestos/find_contractor/

In order to use the MDH Online Asbestos-Related Work Notification system, a Minnesota licensed asbestos contractor must notify MDH electronically and then pay the permit fee.

Below is a cost break down for asbestos abatement of each section of the building.

Year Constructed	Functional Space	Estimated Abatement Cost
1906	Original School Building	$12,000-$24,000
1936	Auditorium	$10,000-$20,000
1957	Elementary School	$50,000-100,000
1971	Gymnasium	$30,000-$58,900

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Lead Based Paint and Other Hazardous Materials

The Report identified materials such as lead containing paint that will need to be properly disposed at a licensed facility. The demolition contractor will need to verify if local landfills are able and willing to accept these materials at the time of demolition. If local facilities are unable to accept these materials it will increase haul distance and therefore cost.

Contamination of Soil and Groundwater

The Phase I ESA indicates that two underground storage tanks were on the grounds. No records were found that these tanks were ever removed or that any soils testing or remediation was done.

The Phase I ESA identifies that the school's automotive repair shop and maintenance bay have a high potential to have resulted in a chemical release resulting in potential contamination.

Additional testing is required to determine the amount of contaminated soil and ground water before a site remediation plan can be developed and a cost for this work estimated.

Building Demolition

The building is mainly constructed of concrete, concrete block, plaster, brick, wood and steel.

Year Constructed	Functional Space	Square Footage (From Phase 1 Report)	Demolition Cost Per SF	Estimated Demolition Cost
1906	Original School Building	10,000 SF	$1.50-$2.35	$15,000-$23,500
1936	Auditorium	8,500 SF	$1.15-$1.80	$9,775-$15,300
1957	Elementary School	33,500 SF	$1.00-$1.55	$33,500-$51,925
1971	Gymnasium	19,000 SF	$1.15-$1.80	$21,850-$34,200

Please note, these costs assume the building has a salvage value of $0 which is highly unlikely. However, it is very difficult to estimate the salvage value of the building since the market is volatile.

If you have questions about how this information was prepared or require additional information, please feel free to contact me at teresabu@bolton-menk.com or by phone at 507-625-4171 ext. 2638.

Sincerely,

Bolton & Menk, Inc.

Teresa J. Burgess, PE, CPESC
Project Engineer

CC: Brian Malm – Bolton & Menk, Inc.

329,000.
to 350,000.

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(1)

Rushford-Peterson Public Schools
Independent School District No.239

1000 Pine Meadows Lane, P.O. Box 627
Rushford, MN 55971
Phone (507) 864-7785 | Fax (507) 864-2085
www.r-pschools.com

Chuck Ehler Superintendent Ext. 1001
Jacob Timm MS / HS Principal Ext. 1006
Angela Shepard EC-5 Principal Ext. 1005
Lisa Lawston Community Education Program Director Ext. 1011
Dan Bieberdorf Activities Director Ext. 1012

March 28th, 2018

Name:

Greetings to from Rushford-Peterson Schools. The Rushford-Peterson School District opened a new E – 12 building in August of 2017. It has been and continues to be a rewarding experience as we are able to provide 21st Century Learning for our students and staff.

With the construction of our new school in the Rushford-Peterson School District and the City of Rushford, both have a vested interest in the redevelopment, repurposing and/or a combination plan for the old school buildings (Elementary/High School) located at 102 N. Mill Street in Rushford. We have enlisted David Kane, a Senior Architect at Widseth Smith Noting in Rochester, to provide his expertise during the redevelopment process.

The building site consists of four main additions. The original building was built in 1906 with an addition in 1936, an elementary wing in 1957 and a new gymnasium in 1968. All combined there is 130,000 square feet of building space. The building site is on 3.5 acre site in the center of town.

In order to streamline our efforts to share information and move the process forward in a timely manner, we have decided to go with a plan that gives: Direct Consideration to Identified Interested Developers. The outline for this plan is included with this letter. Our goal through this process is to facilitate a way and means for developers and investors to share their interest and to provide background information to the school district and the City of Rushford.

In a spirit of cooperation and to assist us, the City of Rushford completed a housing study (1.20.16) and Environmental Site Assessment (12.20.17). The housing study can be found online (www.cityofrushford) and a copy of the Environmental Site Assessment may be reviewed at the R- P Schools District Office or the City Hall of Rushford.

We would appreciate you letting us know of your interest by Tueday, May 1st for the redevelopment/repurposing of our old school site. We look forward to you sharing your vision and goals for this special project. Both the school district and the city recognizes your willingness to explore investment options into the redevelopment/repurposing of the old school buildings and site. You can trust that we will provide you with support and assistance with all viable investment options within our means.

If you have any additional questions and concerns, please feel free to contact Tony Chladek at City Hall (507.864.2667), David Kane (507.206.2141)or myself at (507.458.4724).

We looking forward to learning more about your goal and vision for the redevelopment and/or repurpose of the building and site.

Rushford-Peterson Public Schools
Independent School District No.239

1000 Pine Meadows Lane, P.O. Box 627
Rushford, MN 55971
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Chuck Ehler
Superintendent
Ext. 1001

Jacob Timm
MS / HS Principal
Ext. 1006

Angela Shepard
EC-5 Principal
Ext. 1005

Lisa Lawston
Community Education
Program Director
Ext. 1011

Dan Bieberdorf
Activities Director
Ext. 1012

Thank you.

Chuck Ehler
Superintendent

Direct Consideration of the Identified Local Developers:

Part One: Initial Expression of Interest and Background Information

We would prepare a brief outline for response by the two Developers. Required information to include:

1. Identification of the parties, investors.
2. Description of the proposed plan for development- uses, community needs being addressed, key features, etc. Concept plan(s) if available.
3. Financial ability, capacity of the investors and bonding limits.
4. Tentative schedule.
5. Tentative project budget through completion.
6. Public resources and financial participation needed, if any.
7. Preliminary proposed purchase price of the property and buildings.

- Documents are due into R-P District Office on Tuesday, May 1st.

Following submission of this information and stakeholders review:

Part Two: Interviews and Discussion with the Submitting Developers

1. Additional detailed information to be supplied as needed.
2. Selection of the one Developer to enter into an Exclusive Development Agreement.

Part Three: Exclusive Development Agreement Due Diligence Period

1. Detailed Business Plan provided by Developer.
2. Detailed Financial Plan including sources and uses of funding.
3. Refined project schedule.
4. Complete concept site and building plans.
5. Detailed public resources and financial participation, if any.
6. Purchase Agreement.
7. Other information as deemed necessary.

Part Four: Closing on the Property Purchase

Contacts:

(8)

Rushford City Administrator

From: David Kane <David.Kane@wsn.us.com>
Sent: Monday, May 07, 2018 3:32 PM
To: Ehler, Chuck (chuckehler@r-pschools.com)
Subject: Repurpose

Just ran across my notes of previous Developers/Contractors, consultants that I had spoken with over many years and in some cases- visited the site and toured with you and your' s truly:

1. Al Hiniker, structural engineer.
2. Alex Haecker, Historical Consultant
3. Ryan Companies, Mpls.
4. Schoeppner, Inc., Rochester, builder of many assisted living and apartment/housing projects).
5. Knutson Construction, Rochester and Minneapolis
6. Metro Plaines, Minneapolis
7. KC Developer who previously had worked on Kasson's Elementary Repurpose.

The Developers and Contractors above each listened carefully and respectfully declined to participate for a multitude of reasons. David

David Kane
or Architect
-206-2141
David.Kane@wsn.us.com
File Transfer | Click here to transfer large files

WIDSETH SMITH NOLTING
3777 40th Avenue NW Suite 200 | Rochester, MN 55901-3297

WidsethSmithNolting.com
Engineering | Architecture | Surveying | Environmental

(9)

Rushford City Administrator

From: David Kane <David.Kane@wsn.us.com>
Sent: Wednesday, May 16, 2018 10:23 AM
To: rushford@acegroup.cc
Cc: Ehler, Chuck (chuckehler@r-pschools.com)
Subject: R-P Schools Repurpose
Attachments: Repurpose (13.6 KB)

Tony, see the attached of past contacts. And I should add we also discussed the housing component with Rasmussen Builders in Rushford who had an interest in the new Townhomes on-site- at least did some 3 years ago.

Contacts 1 and 2 are consultants, Al assisted in an early inspection of the buildings, and Alex Haecker is a partner of ours on Historic Rehab projects.

As I said last night the reasons that the others declined included some or all of the following:

1. Unavailability of local tax credits.
2. Lack of direct Historical Rehabilitation experience.
3. Size, magnitude of the project- too big.
4. Other work load
5. Concern about finding users for the completed project.
6. Didn't fit with internal investment goals.
7. Rushford not strategically located for a major project.

Does this help, need anything further? Productive meeting last night with good plan for moving forward! David

David Kane
Senior Architect
507-206-2141
David.Kane@wsn.us.com
File Transfer | Click here to transfer large files

WIDSETH SMITH NOLTING
3777 40th Avenue NW Suite 200 | Rochester, MN 55901-3297

WidsethSmithNolting.com
Engineering | Architecture | Surveying | Environmental

10

Rushford City Administrator

From: [redacted]
Sent: Tuesday, March 20, 2018 10:54 AM
To: [redacted] Rushford City Administrator
Subject: Re: RE: Rushford Schools: Aerial view.

Hi Tony,

I think we need to take a pass. Without the city and/or state paying for thing things we've mentioned up front, the project isn't worth the risk/return.

Thanks,
[redacted]

On Monday, March 19, 2018, 4:29:17 PM CDT, Rushford City Administrator <rushford@acegroup.cc> wrote:

[redacted]

Let me know when you might be able to meet tomorrow. I'll have Mike Bubany join us again from Chatfield ur drive) to review preliminary financing options. As I mentioned previously the tax increment financing, the ool we were going to use to finance the demolition and site prep requires property taxes to be paid. If you don't see this as working if property taxes have to be paid that throws a wrench into that financing tool. So we'll have to sit down and talk and likely Mike and I will have some more work to do after we meet.

Thank you,

Tony R. Chladek
Rushford City Administrator
101 N. Mill Street
P.O. Box 430
Rushford, MN 55971-0430
Direct Line: (507) 864-2667
Email: rushford@acegroup.cc

Website: www.rushford.govoffice.com

Check us out on Facebook!

From: [redacted]
Sent: Saturday, March 17, 2018 11:03 AM

To: rushford@acegroup.c[redacted]
Subject: Re: Rushford Schools: Aerial view.

Hi Tony,

My broth[redacted] and I spoke this morning.

[redacted] has run the numbers many different ways for 50 new 850 square foot units with a one car garage.

A common area building with office, kitchenette, and fitness facilities is also included.

The numbers may work if the following costs are covered by the city or state:

1.All demolition costs

2.All site prep costs

3.Ten years property taxes covered

If you think this is achievable, we can talk more about it. If not, we could look at the old buildings the first or second week pril and look at a combination of remodel and new construction.

Clearly, two very different models which impact how Rushford "shows".

[redacted]

Sent from Yahoo Mail on Android

On Fri, Mar 16, 2018 at 9:03 AM, Rushford City Administrator

<rushford@acegroup.cc> wrote:

[redacted]

below and attached. The architect working for the school wishes to learn of your interest to weave some of the old buildings into your development plans. I made no commitments on your behalf but did emphasize to them you were only interested in the site. When you and I meet I'll share more of my conversation with the school, but in the interest of keeping you fully apprised at the earliest possible time I thought I would share this email.

Hi-Tech Engineering Center

Repurposing of Rushford School

Future Vision

The [redacted] is very interested in acquiring the Rushford Elementary / High School property in the heart of Rushford. The High School (HS) building is a landmark of this city and needs to be preserved, therefore the exterior will remain the same although the interior will have a dramatic facelift to include safety and structural improvements. The Elementary School will be razed to construct ten or more condominiums in its place.

Proposed Development Plan

The HS interior once remodeled and re-purposed, will make a wonderful high-tech training facility for very bright, young students as well as engineers and technicians who are interested in cross training into the latest in the technical world in numerous fields. It will also be used as a Research Facility to expand and develop nano-technologies, new adhesives and bonding agents, exotic filtration devices, nano-plating techniques, medical devices, metal bonding oils and lubricants, new plastic and polymers, new photo sensitive materials as well as energy absorbing materials, electro-chemical plating, and nano-coatings on micro grinding blades. New high-temperature furnaces for treating metals and carbons will necessitate special isolated areas inside the building. Back-up electrical power system will be required to keep sensitive projects up and running in case of a commercial power failure.

It will be imperative to rewire and install new ventilation, filtration, air conditioning, sound proofing, and heating system. The gymnasium will be maintained and modernized to include the workout room for the building personnel and share it with the city. The Theatre will be completely upgraded to include new audio-visual equipment for training purposes. We anticipate the city may also want to utilize this facility upon availability. We intend to use the Cafeteria for staff and visitors and will support the Theatre as plans develop

Financial Ability, Budget & Schedule

The [redacted] has the financial ability to stand on its own with no assistance. A budget of $15M will be set aside with additional funds being available should this become necessary. A cash offer of $400K will be tendered to purchase the property and buildings. Once the offer is accepted and an approved architect becomes available, a schedule for all operations, maintenance, changes, and additions will be forthcoming as quickly as possible. We wish to start ASAP and expect the project can be completed within one year starting with the construction of the Condominiums. This would also be an appropriate time to project a new tax base with an effective date for this facility.

Looking Forward

Several engineers have expressed interest in relocating to this area to take full advantage of the laboratories and Hi-End test equipment and to interact with personnel that have similar visions. Currently we expect the Center to bring several international companies to be part of the brain power from around the world. Our goal will be to draw Engineers, Technicians and Companies from around the world to exchange ideas and develop innovative technologies that are not yet on the drawing boards. Another goal is to bring these innovative ideas to fruition and thus to the manufacturing stage and introduced to the U.S. and the international market. *Build it and they will come!*

(12)

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July 16, 2018

VIA EMAIL

Tony Chladek, City Administrator
City of Rushford
101 N. Mill Street
PO Box 430
Rushford, MN 55971

RE: Potential Downtown School Redevelopment Project

Mr. Chladek:

The purpose of this letter is to layout the basics for a proposal to redevelop the now vacant downtown school property. The cost of the property to the City is assumed to be $1. The estimated cost to clear and make the site ready for redevelopment is estimated at $350,000. The property is zoned (or will be) R3.

STEP ONE: Ensure site's eligibility for a Redevelopment TIF District
The City desires to clear the buildings quickly to (1) improve the looks downtown and (2) to make sure the property is shovel-ready for a new project. However, Redevelopment TIF Districts require the existence of substandard buildings to qualify. The good news is there are certain steps the City may take to allow itself to create a Redevelopment TIF District later even if buildings are to be demolished in the near term. If the City takes these steps it can create the Redevelopment TIF District up to 3 years later despite the lack of substandard buildings.

- If it has not already done so, work with the County to reduce the valuation of this property as low as possible so that Tax Increment collection is maximized in the future.
- Have a certified building inspector prepare a substandard building determination report. I will provide the report forms (no cost). However, it is likely the completion of the report by the inspector will cost a few hundred dollars.
- Once those reports are completed, the City adopts a Resolution Declaring Site Substandard (I will provide form of this resolution at no cost).
- Finally, the City enters into a Development Contract with the Rushford EDA. The contract would be vague and basically non-committal, but it is a requirement of the TIF Act. Again, I can provide form of this contract at no cost.

If no project occurs in three years, the City can still utilize Tax Increment Financing, but it will need to be a different variety which could come with restrictive regulations. A Redevelopment TIF District will yield the most flexibility for a future developer.

The City should be prepared to provide Pay As You Go (PAYG) TIF assistance on a long term contract. PAYG contracts represent $0 financial risk to the City (Rushford has utilized this tool before).

STEP TWO: City applies for a Demolition Loan from DEED
The City would need to come up with $350,000 to clear the site. There are two questions to answer: Where does the money come from? How is it repaid?

- The MN Department of Employment and Economic Development (DEED) has a Demolition Loan Program eligible for cities. Loans are for up to 15 years at 2%, with no payments in the first two years. Up to 50% of the loan is forgiven upon development. The City should apply for this program at the next deadline (which I believe is February 1, 2019).

- If development occurs within the two-year deferral period and the property is sold for $175,000, assuming the balance is forgiven as described above, the City comes out unscathed. If development does not occur within that two-year period, the City will need to come up with about $25,000 per year for payments. The current EDA budget can potentially temporarily reallocate spending of about half of that amount to mitigate any impact (specifically in the "contracted services" and "consulting fees" line items). After discussions with staff, we believe the other half could be temporarily covered by reallocation of certain General Fund spending and/or the Capital Project Fund. These reallocations would end once a developer is found.

STEP THREE: Make site ready for immediate development
While incurring costs prior to securing a committed developer is risky, it is advisable to clear the site right away. Development tends to be time sensitive. If a developer must delay his or her project while waiting for demolition, it could kill the deal. Besides, we believe the strategy laid out in Step Two above mitigates the risks for the City.

CONCLUSIONS
Throughout this process, the City should be reaching out to potential multi-family housing developers. The City can offer a competitive price on the "ready for development" land ($175,000) and a long-term PAYG TIF Contract without the need for income qualifications or rent restrictions (due to the Redevelopment status of the TIF District). Please be aware that there are multiple ways a development contract might be negotiated as well. Should the purchase price be an issue, we could look at reducing the amount but keep a portion of the future tax increments to repay the City...as just one example.

In any event, I will work closely with staff to ensure any deal reflects the least amount of risk to the City yet offers enough incentive to potentially entice a qualified developer. It continues to be a pleasure to serve the City of Rushford. Feel free to share this communication with whomever you deem fit. Please let me know if you have any questions or concerns.

Yours truly,

Mike Bubany, Associate
David Drown Associates, Inc.

cc Kathy Zacher, Finance Director