

City of Farmington  
430 Third Street  
Farmington, MN 55024

***Mission Statement***  
*Through teamwork and cooperation,  
the City of Farmington provides quality  
services that preserve our proud past and  
foster a promising future.*

**AGENDA**  
**CITY COUNCIL WORKSHOP**  
**January 23, 2012**  
**Following 6:30 p.m. EDA Meeting**

- 1. CALL TO ORDER**
- 2. APPROVE AGENDA**
- 3. LIQUOR OPERATIONS**
- 4. CITY ADMINISTRATOR UPDATE**
- 5. ADJOURN**

***PUBLIC INFORMATION STATEMENT***

*Council workshops are conducted as an informal work session, all discussions shall be considered fact-finding, hypothetical and unofficial critical thinking exercises, which do not reflect an official public position.*

*Council work session outcomes should not be construed by the attending public and/or reporting media as the articulation of a formal City policy position. Only official Council action normally taken at a regularly scheduled Council meeting should be considered as a formal expression of the City's position on any given matter.*



# City of Farmington

430 Third Street  
Farmington, Minnesota  
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**TO:** Mayor, City Councilmembers, and City Administrator  
**FROM:** Randy Distad, Parks and Recreation Director  
**SUBJECT:** Workshop Discussion on Acquisition of 420 Elm Street Property as a Downtown Liquor Store Site  
**DATE:** January 23, 2012

## INTRODUCTION

A letter was mailed to 50 properties within 350 feet of the 420 Elm Street property (the Property) informing property owners of the possible acquisition of this property as a new site for the Downtown Liquor Store. The letter invited the property owners to share their comments about this proposed acquisition either in writing, via email or at the January 17, 2012 meeting.

The City Council received public comments at its January 17, 2012 City Council meeting about the acquisition of the Property as a possible new site for the Downtown Liquor Store. It was determined that a workshop should be held to discuss the public comments received and to discuss further the acquisition of the Property.

## DISCUSSION

The comments received from the property owners via either by phone, email or at the City Council's January 17, 2012 meeting, and who live within 350 feet of the Property, have been tabulated. Comments received from other residents who live beyond 350 feet from the Property who spoke during the January 17, 2012 City Council meeting have also been tabulated.

It appears that property owner's living with 350 feet of the Property, who took the time to share comments either by phone, email or at the January 17, 2012 City Council meeting, were split on their support and opposition to the possible acquisition of the Property. The split was as follows:

- Three property owners provided comments prior to the City Council meeting that would indicate support on the acquisition of the Property.
- One comment provided prior to the City Council meeting would indicate they were not supportive
- Three comments shared during the City Council meeting would indicate they were not supportive

Other residents who do not live within 350 feet of the Property spoke as well and their comments were interpreted as follows:

- Two residents were not supportive
- One resident neither supported nor opposed the acquisition of the Property, but rather wanted to make sure the City had a model or business plan in place that guaranteed the Downtown Liquor store would be profitable in whatever location it ends up at.

Council members then discussed the possibility of having a workshop to discuss the following items:

- philosophically if the City should be in the liquor business
- the comments received during the City Council meeting
- further discussion on the location of the Downtown Liquor Store

**ACTION REQUESTED**

The action requested at the workshop is to have a further philosophical discussion on the City remaining in the liquor business, to review the public comments received on the acquisition of the 420 Elm Street property and then determine whether the City should continue to pursue the acquisition of the 420 Elm Street property as a new site for the Downtown Liquor Store.

Respectfully Submitted,

Randy Distad,  
Parks and Recreation Director

**January 17, 2012 Public Comment on Acquisition of 420 Elm Street  
for Downtown Liquor Store**

Mr. Tim Thompson, 816 7<sup>th</sup> Street, thanked Councilmember May for responding to his e-mail. As for the rest of Council, he had no idea why they couldn't respond to a simple question, but apparently it is not feasibly done around here. Council has made up their mind to stay in the liquor business and trying to move somewhere they believe would be more profitable for the City. But in turn, you are removing a taxable business from the City tax rolls. So what is the plan to pick up the difference on that taxable property? It is about \$2800/year in taxes to the City and fiscal disparities amounts to \$3700 - \$3800. So where will you pick up the difference? Why not use a facility we already have? Have you looked at that? Yes, it is on a higher traffic road, but why are we spending money we do not have when he sat through every budget meeting and Council argued for six months about whether you had bonding money to do it and you continue to move ahead without any money. When will the difference be picked up for the taxes we are losing by taking this property off the tax rolls? Mayor Larson replied that information will come out, but right now it is not public. This is just an option. That is why we are getting public comment. Mr. Thompson noted Mayor Larson said we are staying in the liquor business before anyone said anything. So apparently you already have your mind made up this is where you will go. Mayor Larson replied no. Mr. Thompson asked why did he not receive a response to his e-mail? Why did no one respond except for Councilmember May and City Administrator McKnight? Are you afraid of citizen comments? Are you afraid of public input? Councilmember Fogarty stated she is the one who asked for public input. Mr. Thompson said there is no response sent when someone provides input. You take the input from the people you want to. He was trying to afford living in the town he wants to raise his children. If that takes battling to keep taxes in the forefront, he will do it. Whether it is every other week, he will do it. You need to learn to take the input rather than blowing people off. If this is your option, then I would like to see other options. Mayor Larson stated this is the first one and we want to get public comment on this first. Mr. Thompson stated if this is your first option, then where is the plan for people to study to find out where you will pick up the tax difference. Mayor Larson stated that information will come. Mr. Thompson asked before or after you decide you want to put it there? Mayor Larson replied before; we are not voting on this tonight, we are taking public comment. Mr. Thompson stated it has to be done so people have the time to do the research. Councilmember Bartholomay noted he forwarded Mr. Thompson's e-mail to City Administrator McKnight and appreciated the information Mr. Thompson sent. Mr. Thompson stated if you all have individual e-mails why forward it to the City Administrator? Why can't you respond? You are an elected official by the people of this town. Why can't you respond? Councilmember Bartholomay stated he did not respond because he wanted to obtain more information. Mr. Thompson agreed, but if we are asking questions and you don't have information, how are you going to get input from the people if the people don't have the proper information? This is an option, but if you have no information to go along with your option, your option is worthless. If you are giving an option without any benefits, you will be in trouble. Mr. Thompson would like to know when those options will be available. Mayor Larson asked when more information will be released. Parks and Recreation Director Distad stated tonight we are gathering questions and comments and we will compile them. If we can answer the questions we will. At the same time

there has been no decision made. When it comes back to the Council for further discussion and possibly a decision is when that information will be available to the public. Mr. Thompson assumed that would have to be prior to the lease expiration of the existing liquor store. Staff stated the existing lease expires August 1, 2012. Mr. Thompson noted so you will give people a real amount of time to provide input rather than having executive sessions behind closed doors that no one can come to. Mayor Larson realized Mr. Thompson is frustrated, but Council is taking direction from legal counsel on what we can and cannot say and when. Councilmember Fogarty stated it is not meant to be deceptive. When information comes out that you are dealing with a public entity, quite often the price increases. That is why things are done in closed session to make sure that does not happen. Mr. Thompson understood, but the value is the value. If the value will increase then it is a fictitious value. He sat through a budget workshop where staff said how to take the actual value of their home. If you are over that, you are overpaying. So why would that information be out of line? Councilmember Fogarty stated we are not being deceptive. That is why we asked for public comment. We are not hiding anything and we want input. Mr. Thompson stated it sure seems like it and then when you don't get a response to questions you ask, it seems more deceptive. You wonder why people get frustrated when you don't give answers. He hoped Council gives all the information to the people. Councilmember Bartholomay apologized for not getting back to Mr. Thompson. Parks and Recreation Director Distad stated this would be a revenue bond and not paid back through property taxes. It would be paid back through liquor store profits. Mr. Thompson asked about the length of the bond. Staff stated that has not been decided yet. It would not be on the taxpayers to pay the bond back. Liquor store profits would be used to pay the bond. It would not be on the property taxes. Mr. Thompson stated if you are short in the liquor department, that goes back to the property owners as it comes out of the general fund which is paid by the property tax owners. Staff agreed. Mr. Thompson stated apparently it is not profitable now and that is why you are looking at a second option. Mayor Larson stated we are talking about the building now.

Councilmember May commented she is not opening the debate about whether we should be in the liquor business, but how can we make a comment that whether we stay in the liquor business is not part of the equation, when we are talking about a \$1 million bond, is very short sighted. It certainly does have to be part of the discussions we have and the public should be open to hearing all of the input we have. If we are talking about increased sales, we have not seen any data to support why a move will make a difference. She felt Council owes it to the public to make sure we are keeping an open mind, collecting all the data, and they hear all the data and if the public wants to give us input on a location and/or whether we should be in the business, they should be able to do so. Councilmember Fogarty stated that is not how this was advertised. Councilmember May stated it has to be part of the discussion; maybe not tonight, but it has to be part of the discussion at some point before a decision is made.

Councilmember Donnelly wanted to explain the revenue part. The bond is not paid by the taxpayers. Right now we have to pay a lease and the payments on this building would be less than the lease we are paying now. If we don't make enough money to pay the lease, the same is true. This is a way to lower that payment and eventually get rid of it after owning the building for a certain number of years. We have discussed the philosophy before and we will discuss it again.

Ms. Sue Gerardy, 501 Oak Street, stated it is a very residential area for a liquor store. We have a lot of small children in the neighborhood. She did not believe it would be a good spot for a liquor store. She looked at the agenda packet and noticed Council is considering another site at Vermillion River Crossing. As far as the cost, \$500,000 is a lot of money, but to buy a 40-year old building and renovate it and only spend \$500,000 - \$700,000 more to build a brand new building does not make sense. It is a very residential area and we have a lot of children. We all know what happens at liquor stores on occasion. You get the issues and the drunks and we don't want our children exposed to that. They lived there when Tom Thumb was in that location and it was dangerous. The traffic was terrible.

Mr. Colin Garvey, 22098 Canton Court, stated if you don't want to take a philosophical point of view, let's take a factual view. About 20 years ago staff moved the grocery store from one TIF district to another TIF district. Then we jumped from point A to point B and at one point we had 13 properties that were off the tax rolls for 20+ years. This site alone, there are five businesses. At 195<sup>th</sup> Street we built a new Maintenance Facility. He went to a meeting and asked why do we have to put a Police Station on the corner? Why can't we move it over and sell that corner? You would have thought I shot the Pope for that comment. We have a lot next to the Police Station for sale. The building on First Street was to be sold to pay down the bond debt on the Maintenance Facility; it did not happen. When City Hall was built, the old City Hall was to be sold to pay down the debt; it did not happen. He is glad it is used for a senior center because they deserve it. It beats a park. Everything he brought up was not given to the public to vote on. HRA funds were used, and he believes illegally. Now the citizens are on the backside paying off all this debt that has been created. He has been to a lot of meetings the last 25 years. In the last 5-6 years it has gotten really challenging. In the 90's he talked to the Mayor about taking away commercial property and you take away our tax base and our fiscal disparities. You get more fiscal disparities back, but it is harder on the businesses that are here. The quicker you realize that, the quicker you can start making better decisions. We had a liquor store downtown. We didn't decide to move it. Staff and the City moved it. That is not our fault. You had visibility. The building was paid for. You have got to stop taking taxable property off the tax roll. We can't afford it. You have sat at how many budget meetings? You can't even come up with half the money, \$145,000 for seal coating. You can't even assess for it. That tells him all the slush funds are bankrupt. You can't come up with half that money otherwise you can't do seal coating. How can you possibly think of taking another piece of property off the tax rolls? It doesn't make any sense. There is not economical sense to this. Our Spruce Street corridor was to be designed years ago and opened up. That was put on the back burner. When this building was built, one of the biggest pushes for this site was because the Vermillion River Crossing and Spruce Street corridor would be opened. If you have to be in the liquor business, you have a spot on the corner. Save the taxpayers money, put it there, get Spruce Street opened up, and stay with what you vote on. Let's be consistent. We are jumping around with the taxpayers' money and it hasn't worked. Can anyone argue with my facts? Are they inaccurate? Mayor Larson stated we are not going to argue tonight. You make a lot of sense. Mr. Garvey stated everything he brought up is factual, so why do we keep doing it? You have to go to your taxpayers for votes. Everything he brought up, the residents were not allowed to vote on. Council is supposed to be a government of the people and for the people. The quicker you realize that, the better off the City of Farmington will be, the State of Minnesota will be and this whole county, because it is going broke.

Mr. Dave Quehl, 500 Elm Street, asked that Council speak up. First of all, he did not think the City should be in the liquor business. Secondly, his family has been in their house for 34 years and it will really be affected by a liquor store. He took two windows out of the west side of his house because cars would come out of Tom Thumb and would light up his kitchen. The same thing will happen with a liquor store. It is a residential area. You have seven homes in that block. It is not a place for a liquor store. It is residential. You will not keep it a residential area with a liquor store. You can use another location where a restaurant moved out. Why not put it there? He doesn't follow City politics, but he hears, why can't we get businesses in Vermillion River Crossing? Why not put it out there? Mayor Larson stated that is one of the options. Mr. Quehl asked where the idea came from to put a liquor store there? Parks and Recreation Director Distad stated they did a search of properties and there was some criteria that had to be met including willing sellers versus the eminent domain process. This property was up for sale. Mr. Quehl did not think this was a smart move. Mr. Quehl then asked why he has to show his driver's license to buy a six pack of beer. Staff replied it is store policy. That way we do not discriminate against anyone. We treat everyone the same. Mr. Quehl stated when he goes to the liquor store in Rosemount they don't ask for his driver's license and that is where he has been going. He did not understand why they have to ask him for a driver's license.

Mr. Doug Bonar, 20506 Eastview Curve, understood the challenges of property acquisition. It appears the Council is planning on purchasing a building or constructing one. The questions are basic. In doing so, is there a plan? Is there a business plan? Obviously we are speaking about property. Personnel and product are the other two p's that with all three done well, result in profit. What we have experienced with a municipal liquor store is poor at best. It doesn't rank well with our peers; it doesn't rank well within the state of Minnesota. We have some keen challenges ahead. While the laws changed in the '30's after prohibition and the policies of temperance were put in place, the actualities of the municipal liquor store as a matter of creating a revenue stream to underwrite enterprise funds came into place. There are several enterprise funds that are in great need. Does this Council and this administration have a plan, whether it means the purchase of this property, or the construction of another, that will result in a dramatic change in an increased profit for municipal liquor operations? If not, are there other options that will be considered? Councilmember May agreed.

Ms. Julie May, 505 Oak Street, spoke on behalf of a homeowner that received one of the letters. She and her husband purchased this property and will be living there soon. One of the reasons they like it is because it is on the historic Oak Street, which is not conducive to a liquor store being half a block away. She concurred with other comments as a homeowner that this is not the right location for a liquor store.

Mayor Larson stated this item will be brought back to the February 6, 2012 Council meeting. He thanked residents for their comments. Mr. Thompson stated Mayor Larson needed to clarify what he is talking about. He needs to clarify to the people you are talking liquor store again on February 6, 2012; are you talking about another location, or other options? Tell people what you are going to discuss so people can decide whether it is worth their time or not. Not just we are going to discuss liquor stores on February 6, 2012. Mayor Larson asked staff what will be on the agenda for February 6, 2012. Parks and Recreation Director Distad stated they will take the

public comments received tonight, review them, and come back on February 6, 2012, to discuss whether this property is a location Council wants to pursue or are there other options you want to talk about. Mayor Larson stated he and City Administrator McKnight met with Mr. Wartman, the owner of the current liquor store site, and he did extend some options including reducing the space, purchasing the building, and extending the lease for as long as necessary while we decide what to do.

Councilmember Bartholomay felt they should talk about philosophy before talking about purchasing to get it out there. If the philosophy is not there, it is pointless to keep going. Councilmember May understood that after this public comment, there would be a workshop before any other discussion came to a Council meeting. The Mayor has met with the current landlord and Council needs a chance to have a good workshop about not only this option, but other options that have been discussed where other Councilmembers have not heard all the details. She felt there needs to be another workshop for this topic prior to anything coming to Council for a vote. That was her understanding from City Administrator McKnight. City Engineer Schorzman suggested breaking the topics into two portions. He suggested having a philosophy discussion first before a philosophy and what to do discussion. Councilmember May felt they go hand in hand. Revenues and spending go hand in hand so what is the plan? That is the philosophy; the plan. All she has heard of the plan is that moving to Elm Street will increase sales. Staff's understanding of the philosophy discussion was should the City be in the liquor business or not. Staff will discuss a workshop for January 23 or January 30, 2012 and inform Council of a date.

**From:** David McKnight  
**Sent:** Monday, January 09, 2012 11:57 AM  
**To:** Randy Distad  
**Subject:** Potential Purchase of Liquor Store Comments  
Randy-

Here are the comments I have received so far from the mailing to neighbors on the potential purchase of the 420 Elm Street building.

Comment One-Owens three properties in the area and thinks it would be a good use of the building.

Comment Two-Owens a commercial property in the area and is willing to discuss the sale of this property with the city for a liquor store.

Comment Three-Owens a home in the area and thinks it would improve the appearance of the building and eliminate the parking lot as an area for kids to hang out in during the summer months.

Comment Four-Owens a home in the area and thinks it is a bad idea. There are other properties in the city that could be used for a liquor store.

I will pass on any other comments I receive. I will also forward you any emails/comments I receive after the packet is sent out so you can share them next week.

Any questions please let me know.

*David McKnight*  
Farmington City Administrator  
651-280-6801  
[dmcknight@ci.farmington.mn.us](mailto:dmcknight@ci.farmington.mn.us)  
[www.ci.farmington.mn.us](http://www.ci.farmington.mn.us)



# City of Farmington

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**TO:** Mayor, Council Members and City Administrator  
**FROM:** Randy Distad, Parks and Recreation Director  
**SUBJECT:** Public Comment on Acquisition of 420 Elm Street Property as a New Downtown Liquor Store Site  
**DATE:** January 17, 2012

## INTRODUCTION

City Council requested that staff mail a letter to property owners within 350 feet of property located at 420 Elm Street notifying them about the possible acquisition of this property as a new Downtown Liquor Store site. The intent of the letter was to provide adjacent property owners with an opportunity to give input on the acquisition of the property.

## DISCUSSION

A letter was mailed to residents on Wednesday, January 4, 2012. A copy of the letter is attached. Several property owners have already provided their input to City Administrator David McKnight via either by phone or email and these comments have been attached. Property owners should also be given an opportunity to comment at the January 17, 2012 City Council meeting. Comments received during the Council meeting should be tabulated with written comments received. The City Council should then weigh the public comments against the pros and cons of the City acquiring the property located at 420 Elm Street as a new Downtown Liquor Store site and make a decision at a future Council meeting.

Included in your packet are sketch plans of the 420 Elm Street property that conceptually depict what a liquor store could look like on the site. The sketch plans were created by Larry White and the intent was to provide a visual example so City Council members and residents would be able to visually see what the improvements to the exterior of the building could look like. The sketch plans are based on using materials that were included in the project budget estimate that Mr. White prepared for the City.

## ACTION REQUESTED

Provide property owners who were notified by letter about the acquisition of the property for a new Downtown Liquor Store with an opportunity to provide input at the January 17, 2012 City Council meeting. Then based on the input provided, consider at the February 6, 2012 meeting whether or not it wishes to purchase the property at 420 Elm Street as a new Downtown Liquor Store site.

Respectfully Submitted,

Randy Distad,  
Parks and Recreation Director



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**DATE:** January 4, 2012  
**TO:** Neighbors in the Elm Street/Sixth Street Area  
**FROM:** David J. McKnight, City Administrator  
**SUBJECT:** Potential Purchase of Property to be used as a Liquor Store

The Farmington City Council asked me to make property owners within 350 feet of the property located at 420 Elm Street aware of new potential use of this property. This property, the current Laundromat/vacant building, is being considered as a new home for the city's downtown liquor store.

Before the City makes any final decisions on purchasing this property the City Council wanted to get the opinion of the property owners in the area. With this in mind this issue will be placed on the Tuesday, January 17, 2012 City Council agenda and anyone wishing to share their opinion will have an opportunity to do so at that time. The City Council meeting will be held in the City Council Chambers at 7:00 p.m. at:

Farmington City Hall  
430 Third Street  
Farmington, MN 55024

If you cannot attend the meeting and want to share your opinion with the City Council or if you have any questions you can call me at 651-280-6801 or email me at [dmcknight@ci.farmington.mn.us](mailto:dmcknight@ci.farmington.mn.us).

Thank you for your time on this important matter.



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**TO:** Mayor, Councilmembers, David McKnight, City Administrator  
**FROM:** Teresa Walters, Finance Director  
**SUBJECT:** Liquor Store Financing Options  
**DATE:** January 19, 2012

### INTRODUCTION:

The Downtown Liquor store lease will end effective August 2012. The City currently pays \$165,000 per year (in rent and common area expenses) to lease space in the City Center Development. It appears to be more cost efficient to own a liquor store property than to lease it since the annual payment would be lower (in most cases) and the building would be owned by the City with no further payments once the loan is paid in full.

The Council has discussed two potential locations: Elm Street and Vermillion River Crossing (VRC). The Elm Street option involves purchasing an existing 40 year old building and renovating it. This option includes lease revenue from the existing Laundromat business currently located on the property. The estimated cost to buy and renovate the property is \$1 million.

The VRC option would provide us with the opportunity to construct a new building. The estimated cost to build at VRC is \$1.5 million.

Options 1 and 2 include \$40,000 - \$46,000 in issuance costs for the Financial advisor, Bond Council, Rating agency, County Auditor, etc.

### DISCUSSION:

The City has several options available for financing the Liquor Store depending upon the location chosen by the Council.

### OPTION 1

- A. ***Straight Financing*** – Purchase and renovate existing building: With this option, we would finance \$1,040,000 at 5% interest.

Amount Financed	Rate	Term	Annual Payment	Total Paid Over Term
\$1,040,000	5%	10	\$134,685	\$1,346,848
\$1,040,000	5%	15	\$100,196	\$1,502,940

The interest savings in going with 10 years vs. 15 years is \$156,092.

B. ***Straight Financing*** – Purchase land and build a new store at VRC. With this option, we would finance \$1,546,000 at 5% interest.

Amount Financed	Rate	Term	Annual Payment	Total Paid Over Term
\$1,546,000	5%	10	\$200,214	\$2,002,141
\$1,546,000	5%	15	\$148,945	\$2,234,178

The annual payment for 10 years would be higher than what we are paying for our lease now. Therefore, 10 years is not recommended for this option.

**OPTION 2**

A. ***Lease to own (Elm Street)***: The EDA would purchase and own the property. If the EDA purchases the property and leases it to the Liquor store (with an option to purchase it for \$1 at the end of the lease), then the rates would come in much lower.

Amount Financed	Rate	Term	Annual Payment	Total Paid Over Term
\$1,040,000	3%	10	\$121,920	\$1,219,197
\$1,040,000	3%	15	\$ 87,117	\$1,306,759

The savings in going with a 10 year vs. a 15 year bond is \$87,562.

B. ***Lease to own (VRC)***:

Amount Financed	Rate	Term	Annual Payment	Total Paid Over Term
\$1,546,000	3%	10	\$181,238	\$1,812,384
\$1,546,000	3%	15	\$129,503	\$1,942,547

The annual payment for 10 years would be higher than what we are paying for our lease now. Therefore, 10 years is not recommended for this option.

**BUDGET IMPACT:**

***Elm Street***: Financing through the EDA would save us a total amount between \$127,651 - \$196,181 depending on the term of the loan.

***VRC***: Financing through the EDA would save us a total amount between \$189,757 - \$291,631 depending on the term of the loan.

**INFORMATION:**

The lowest cost option is to buy the existing building and renovate it. The lowest cost financing option is to have the EDA finance the Liquor Store for 10 years and lease it back to the Liquor Fund with the option to buy at the end of the 10 year lease.