

**SPECIAL CITY COUNCIL, MARY MACDONALD COMM, & ECONOMIC
DEVELOPMENT AUTHORITY
SPECIAL JOINT MEETING**

4:00 P.M.

Monday, September 8, 2025

Present: Shane Hoff
Juel Salveson
Rick Goutermont
Gary Thompson

Excused: Steve VanHouse

Lana Fralich, City Administrator
David Drown, EDA Director
Mayor Wade LeBlanc
Jim FitzGerald, Council
Ben Bautch, Council
Donny Thompson, EDA
Nelson French, EDA
Beth Smuk, EDA
Ed Maki
Julie Jensen
Wendy Jensen
Laurie Kallinen
Glenn Ristow
Vicki Fruetel
Marcia Oates
Shelley Cheney
Kelsie Johnson
Mark Russell

Barb & Ron Bautch
Erica Jensen
Dale C. Knaffla
Anne Marie Moseman
Brandy Woldstad
Gerry Gheney
Alex Burcum
Lisa Hanson
Debbie Russell

Mayor LeBlanc called the City Council meeting to order at 4:10 p.m.

Member Hoff called the Mary MacDonald meeting to order at 4:10 p.m.

Chair French called the EDA meeting to order at 4:10 p.m.

The purpose of the meeting is to discuss operations of the Mary MacDonald building, needed improvements, and the future of the building.

City Administrator Fralich provided an update on the status of the Mary MacDonald building including operational losses over the last few years, capital improvement needs, costs for the improvements, and options for funding, possibly conducting a feasibility study, and potential impacts on tenants and taxpayers. There was review of a survey that was sent to tenants, MN Rural Water Loan information, actual and budget expenses. There was discussion on water infiltrating the building, FDA requirements, Lake County expressing limiting space and use of the space in its condition, the use of

the building by the community, events being held such as Ruby's Pantry, and loss of businesses if the building was not opened. It was noted that applications for funding has been submitted

Mayor LeBlanc stated that the city is fortunate to have as many tenants leasing space. The building is a very big part of the community and a big part of the potential budget. Mayor LeBlanc invited those with comments to come forward.

Julie Jensen questioned if the city has any reserves it can draw on to put into the building? Fralich replied that there are reserves but some are restricted to what they can be used for and Mary Mac reserves are needed to cover existing debt payments. Jensen asked if there were any general funds reserve that could be used. Fralich stated not to the level that would support the full amount of repairs. Jensen questioned if the city would be over or under budget by the end of the year, that she has looked at the budget and there are some areas that have gone over budget, and if the city can guarantee it won't be going over budget so there will not be a levy increase on the property taxes on top of the potential tax burden from Mary Mac and road repairs. She continued stating that the city is hitting residents from all directions and if residents/homeowners run into problems they are expected to take care of it themselves, but the city keeps asking for more and more and with all the projects going on and she feels that pretty soon people will be leaving because they can't afford to stay here.

Dale Knaffla asked if the city has considered converting Mary Mac into a second Vets Home? Discussion regarding the amount of veteran residents in current facility is based on staffing levels and what would happen to the current tenants of the Mary Mac if a Vets Home was developed there. D. Knaffla suggested building a new building next to the Mary Mac.

Alex Burcum, asked with the anticipated costs will the city depreciate the investment of that cost moving forward to prepare for the next time the roof repair comes up there is actually money or is this a onetime loan taken out. Discussion on depreciation shown in enterprise funds, setting aside funds for future purchases, high amount of costs needed for the Mary Mac, funding so it does not fall on the tax payers.

Wendy Jensen offered ideas for increasing use and charging fees for the use such as charging for the use of the kitchen, to the walkers, allow for classes that could rent space, and make it more of a community center where charges can be made to help increase revenues. Mayor LeBlanc referenced the loan from MN Rural Water and the need for \$550/day to make the annual payment to put in perspective. There was discussion on the space availability, the current use of the gym and the kitchen, and the need to renovate the kitchen for uses as it is not compliant for a commercial kitchen.

Glenn Ristow commented that he doesn't see this as a booming community nor the Mary Mac building as being attractive to bringing in new businesses, that the city can't expect residents and businesses to pay, that increasing rents to help pay for these costs knowing they may still have additional repairs in the future is attractive or realistic, that he doesn't see solutions for the city, that the city should focus on the existing businesses, but feels that the writing is on the wall for this building. There was discussion on what would be done with existing businesses, respect for residents, the businesses, and the history of the building, making tough decisions like other communities that have these spaces, aging infrastructure, prioritizing buildings, possibility of rezoning the area, but if the city is unable to come up with the funds, the businesses are not going to pay, and residents are not going to pay the writing is on the wall.

Alex Burcum commented on lack of contractors, subsidizing businesses, and the possibility of rezoning and redeveloping, selling to a potential contractor to develop or nursing facility, that the city

could get a profit and add tax base. Smuk questioned where do our businesses go if that were to happen.

Donny Thompson stated he doesn't feel it is up to the city to run or subsidize a business. He referenced a survey from 2021 sent to city residents relating to the future of the Mary Mac if the time comes something needs to be done with it, he referenced conversations he had with other people in the community that said give it to one of the tenants for a \$1, he referenced concern for the multiple buildings in the city that are aging, other comments related to tear down the Mary Mac building, multiple concerns for what to do with the pharmacy and possibility for creating space at the existing shopping center, or the Park State Bank building if they decide to leave, there was comments from pickle-ballers but that the reunion hall can be used, he commented on too many buildings being underutilized, and that walkers can use the school, if money was put into the building would the city be discussing this again in ten years, and that it is his personal belief that government should not be subsidizing businesses. The survey results from 2021 showed 25% commented to invest in the building, 75% percent said do something else.

Mary Anne Moseman asked if part of the building was eliminated and refurbish the other part and what type of cost savings would that be. There was discussion on the lower end of the roofing, cost savings, and the amount of work still needed, and the high costs for tearing down the building, concern if there is asbestos, and the lease obligations as landlord.

Marcia Oates wondered if the city obtained a demolition cost estimate. It was commented that the City had not yet obtained an estimate, that in comparison to the John A Johnson building in Two Harbors demolition cost over a million dollars and that the Mary Mac building is larger.

Burcum wondered what the longest lease remaining. It was noted that the leases are annual, renewable, and that tenants must give a 90-day window if they leave and the pharmacy is one year. Burcum further commented that if the breaking point to operate the building is a 35% increase, then the businesses would have to be prepared to pay that as he didn't view it as fair to the taxpayers having a drastically reduced rent compared to leasing from a private entity.

Gerry Chaney talked about that as a non-profit entity in the building they bring an importance to the community. He gave an example that their organization has given out over \$10million in food over the past ten years and feels this has been a good investment, that harvest parties, pickleball, and other community services and that there are has to be consideration for the different types of business within the building. Reference was made for use of the Reunion Hall for Ruby's Pantry, but it does not meet the requirement for unloading the pallets of food that are delivered.

There was discussion on Silver Bay being unique in that it doesn't have other vacant buildings or location for businesses to go to, no incentive for the private sector to build a building if competing with low rents from the public sector, charging for space, the tax burden on residents within the community while people living outside of the city getting the same benefit without the additional tax burden, that this meeting is about coming up with solutions and not just saying no, impact on taxpayers if the building was tore down or rehabilitated, grant funding in order to avoid impact to taxpayers, nobody wanting taxes to increase including those serving on the Council, Boards, or Commissions, the diversity of the businesses and the impact that can have on funders, and coming up with solutions for efficiencies of use for the building. Discussion continued on the size of the building, the cost to build new or tear down, conducting a cost analysis to get a clear picture of what is needed.

Ed Maki commented that if people new the pharmacy could be lost people they would have changed

their mind on the survey and if Essentia has any grants available.

Burcum questioned what the city would make in property tax if the building went to the private sector. There was a comment that the businesses within the Mary Mac do already pay a tax, that the city had previously tried to sell without any proposals primarily due to the needs of the repairs, that the building isn't attractive due to the cost of repairs that the private owner businesses would have to invest just like the city would, the difficulty of the situation and unattended consequences, the costs of inflation, finding skilled workforce to do the work, that members of the Board and Commissions are trying to make the best decisions.

Barb Bautch questioned the timeline for a decision. There was discussion on not continuing to kick the can down the road, what is the vision for the building and the area is or should be, creating a vision to determine which avenue to seek for funding, and meeting the interests of the funders.

David Drown commented on his observations and that in the past it typically has been the notion that it is cheaper to build new than renovate; however, in current pricing of \$500/sf at a 56,000 square foot building the replacement cost of a new facility would be \$28Million. Another observation was that when school buildings are abandoned they offer the building to a city for \$1, the city operates it for a while and then sells it to a private entity for a nominal price, then the private entity runs it for a while and then walks away leaving taxes unpaid, and the building returns to the city in a poorer condition and a hazard for the city to deal with. Drown commented that this has been one of the most successful school building reuse that he has seen in his career, that we have had 20+ years of use in that building, but now we are facing the point of operations are tough, and that replacing the same building with new is not economically viable and take that off the list. There was discussion on demolition being a one-time cost.

A Laurie Kallinen discussed her use of the Mary Mac, that the building has income from rent but also has intrinsic value, she feels that we need to understand our costs and although the feasibility study will cost us money it will provide the needed information on structure and soundness of the building, and felt that an assessment should also be done on how many people use the building to determine the value to the community, and that those two pieces will be helpful in making a decision. There was also discussion on knowing the number of employees.

Jensen questioned if anyone went over the assessment and if the project can be done in pieces versus all at once. Gary Thompson made comment on some recent repairs to the roof. Salveson commented that per the contractor it is one of the worst roofs they have seen and needs to be replaced. There was discussion on the boilers and the longevity of existing for new, what rent costs are, that the numbers discussed are only to cover the shell of the building and not other improvements, repairs needed to the walls of the building facing the lake, and needed steam-traps repairs. Jensen also questioned if tenants have been asked to give up space to be better used and that have the business that moves into the space make the repairs to the space, and used a catering business as an example to get the improvement made to the kitchen. She questioned if the church advertises for pickleball, if the county will pitch in any money, and better use the space. Discussion followed on volunteer work to get things done, legal issues, coming up with ways to get something accomplished instead of finding ways to not get things done.

Erica Jensen commented on her recommendation to time-box the decision and put a plan together, do an assessment, and identify what are your next steps, evaluate, don't spin through the analysis paralysis, survey the community, find out if people are willing to do, and once you have completed your 3-month, 6-month, and 1 year analysis then make the decision. It has given tenants a time to

plan for alternate options if the decision to close is what comes out of the analysis. Erica Jensen volunteered her expertise in helping with the analysis to come to a decision.

Mark Russell commented on what is the process for having a community effort for those who are concerned, and there is uncertainty for where to go to find out what can be done and who can be involved to help make something positive happen and bring about changes that are wanted.

Smuk stressed concern that if a decision was to tear the building down and each of the tenants had to fend for themselves the public would be outraged as it is taking away from our city when we are trying to get more into the city. She also had concern for increased costs if the repairs were done in pieces, even though it should be reviewed, and gave an example of street repairs and the increased costs the city is seeing over the years. Discussion followed on adding more tax burden may cause a riot, the public differences in improving streets, inability to please everyone, inflationary costs, example of costs changes with current street improvement plans, finding funding, and city challenges that are have been faced for past decision makers, the current members of our boards and commissions, and the challenges faced for future decision makers.

Debbie Russell questioned what type of businesses can we attract to the Mary Mac that may have interest to the funding sources. There was discussion on funding for re-engagement center, housing, and possibly historical funding. Discussion continued into concern not only for the capital needs but concern for operational needs and reassessing how to cover the operations of a building such as placing meters on businesses, finding someone to help put together the funding, needing to complete the feasibility and get the information so that we know the magnitude of what we are seeking.

Mayor LeBlanc commented that nobody gets mad at the people that kicked the can down the road, people get upset at the people who stop the can from being kicked. He further reminded everyone that these are volunteers that serve on our Board and Council, and the decisions are difficult for everyone, that they are taxpayers of the community also, and offered people to get into contact with him or other members of the boards if they have questions, and everyone is trying to do the best they can, that this is only one issue out of many topics being discussed, and thanked everyone for coming.

Councilor Hoff encouraged everyone to stop at the Mary Mac and see how busy the building is.

Motion by FitzGerald, second Bautch to adjourn the City Council meeting at 5:50 p.m. MOTION CARRIED.

Motion by Smuk, second D. Thompson to adjourn the EDA meeting at 5:50 p.m. MOTION CARRIED.

Motion by G. Thompson, second Hoff to adjourn the Mary MacDonald meeting at 5:50 p.m. MOTION CARRIED.

Minutes taken by Lana Fralich

Attest:

Wade LeBlanc, Mayor

Lana Fralich, City Administrator