

City Update
Office of the Mayor

On behalf of the City Council, staff, and employees of the City of Virginia, I would like to provide you with an update of projects and developments in the City of Virginia.

Several projects are in the works for economic development. A number of new and existing businesses are investing in brick and motor construction, and repurposing vacant buildings. Three businesses have relocated along the 2nd Avenue corridor, an insurance agency, a counseling center, and an apartment expansion storage building.

A local investment group is the advanced planning stage to construct new businesses on 4th Street North.

VEDA and the Revive Virginia Group are moving forward with the remodel of an empty storefront in the 100 block of Chestnut Street.

The abandoned Mason Building along 1st Street South is being purchased and is in the preliminary stages of a complete remodel.

The old North Star Drug building exterior is close to completion and the new counseling center is up and running.

At the request of the City of Virginia, St. Louis County rescinded the first right of refusal on property located near the dollar store along the 2nd Avenue – 9th Avenue corridor. This property is now available for economic development opportunities and several inquiries have already been received.

Tri-Tec Steel Manufacturing recently merged with and was purchased by Road Machinery and Supplies.

The Northgate Plaza is scheduled for renovation. A new owner, in partnership with the City of Virginia and the IRRRB, is moving forward on a facelift and necessary renovation of the Plaza. New light standards are being erected and construction is scheduled for the spring of 2018.

Phase One of the Thunderbird Mall reconstruct continues to move forward. Tractor Supply Company recently opened and a coffee and bagel shop will open soon. Negotiations are underway to fill other vacant spaces.

The Coates-Plaza hotel is under new ownership. We are in the process of formulating a project development agreement to assist in the renovation of the hotel. Once completed the hotel is expected to meet franchise quality standards and once again provide needed accommodations in the downtown corridor.

St. Louis County expects construction to begin on the new Government Services Building in April 2018. Barring any setbacks it is expected to take approximately 2 years to complete. The 300 block of 1st Street South will be permanently closed as part of this project.

We proffered a letter to the State of Minnesota expressing our interest to purchase two state-owned parcels in the city limits. One parcel is located in Franklin Addition at the east end of Chestnut Street. The other parcel is at the intersection of 2nd Avenue South and Hwy 53. The City hopes to begin negotiations with the State in early 2018 on these parcels.

Kraus-Anderson Constructors has been selected as the Construction Manager at Risk for the Miner's Memorial Building project. In November and December, consultants have been meeting with identified stakeholders and selected end users of the facility in Virginia in order to collect information and glean ideas for the facilities' infrastructure. Additional meetings are planned for early 2018 and public input will be sought as part of this process is to analyze the scope work and provide a comprehensive cost analysis of the current and proposed facilities. The Minnesota Legislature allocated 12 million dollars to fund Phase I of this project. Additional revenue is needed to build a state of the art facility that will serve the City of Virginia and surrounding businesses and communities for decades to come. After considering several options, the City Council is seeking permission from the State Legislature to apply a 0.5% sales tax to procure needed funding to fully complete the project. DSGW Architects are working with the City and Kraus-Anderson to develop an updated facilities plan for public presentation.

Future economic plans include a new Public Safety and Training Facility for Fire/Ambulance and Police and the potential development on the demolished Midway Elementary School site.

New playground equipment was installed at the Ridgewood recreation site this year and, thanks to a grant received from the MN Super Bowl Legacy Fund, new playground apparatuses are scheduled for the Midway site in 2018. Five part-time rink attendants were hired for this winter season. The plan is to ensure the warming shacks are staffed Thursday and Friday from 4-9pm and during the day and evening hours of Saturday and Sunday. These attendants will be responsible for keeping the warming shack open, clearing the snow from the ice, and reporting safety incidents.

The Department of Public Utilities in cooperation with the City of Virginia is working on a mandatory steam conversion plan for residents and businesses. A program is being developed to provide financial assistance and other options to mitigate costs associated with conversion. Public input is crucial as this plan is rolled out. The conversion program is scheduled to begin sometime in 2018; more information will be provided in January.

Pockets of blight continue to plague the residential and commercial areas of Virginia. The Virginia Property Maintenance and Preservation Code ordinance was effective January 1, 2017. Owners and managers of substandard properties were issued correction notices. Effective December 17, 2017, those who have not complied will be issued civil fines. Properties deemed not to be habitable are subject to demolition.

Demolition is a laborious and costly process. Public Works employees are professionally trained to carryout residential and low impact commercial properties. Costs include, employee labor and equipment, asbestos inspections, asbestos removal, utility disconnect, and landfill disposal fees. A portion of our costs are reimbursed through the IRRRB demolition program.

In 2013 four buildings were demolished at a cost of \$72,358.16. In 2014 nine properties were demolished at a cost of \$131,257.11. In 2015 ten demolition

projects were completed at a cost of \$169,910. In 2016, 17 demolitions totaled \$271,000. 2017 totals are yet to be determined. The most recent demolition was to the abandoned One-Hour photo or the old Ostrov's Grocery Store located at 519 2nd Avenue South. Ten more buildings are tentatively scheduled for demo in 2018.

Fifteen (15) Tax Forfeit properties await status determination within Virginia. These properties are owned by the State of Minnesota and managed by St. Louis County. Of these properties, three were identified for demolition, five parcels are vacant land and six are potential rehab projects.

The revitalization of downtown Virginia continues to be a huge challenge. We assure you that the City Council, Staff, VEDA, the IRRRB, and Chestnut Street business groups such as Revive Virginia are working to procure funding for building rehab, signage, and utilities. We are considering the designation of a historic downtown as a mixed-use corridor that may include upper level rehabilitation for private residences. We are exploring every conceivable option. Chestnut Street will likely never be the downtown of old but it could be an attractive, eclectic, and inviting area of commerce for citizens and tourist to live, shop, and gather.

Alternative travel routes to the downtown are in the planning stages. From our conversations with all of you we have identified areas of interest and improvement as we grow the downtown and beyond. People want easy access from Hwy 53 to the walking trails, shops, parks and the lakes. Wayfair signs directional beacons, passable roadways, pocket parks, minimal traffic congestion, and safe streets are a priority of the City as identified in the City's Comprehensive Plan, as well as maintaining access to Health care closer to home, local Emergency Fire and Ambulance services, affordable and livable housing and an expanded tax base.

The City is seeking input from the public as we think outside the box to address needed affordable single family housing and permanent accommodations in a city that is landlocked. One idea is to consider Accessory Dwelling Units also known as "Granny Flats". These are permanent or temporary housing structures that are

erected on existing home sites to accommodate other family members. This tiny house concept is a growing trend throughout the country particularly in communities that have limited space for residential growth. Many of these structures are new construction, converted garages, or revitalized warehouse space. Virginia has small pockets of residential opportunities. The largest available site is located in Midway on the demolished elementary school grounds.

Our public transportation system is inadequate. Arrowhead Transit has not been able to meet the scheduled needs of city residents. Taxi service is cost prohibitive for low income residents. Riders wait hours for a scheduled pick-up and there has been growing concerns over the overall condition of the equipment. We need to somehow find a way to improve the delivery of transportation services in Virginia by supporting additional funding for Arrowhead Transit and implementing other effective initiatives. In alignment with the Comprehensive Plan we need to update the transportation study for Virginia.

Thanks to grassroots efforts the Community Gardens, Rutabaga project, and the farmer's market are established and successful ventures. Wherever possible we need to support the expansion of these organizations. One suggestion is to establish a flea market concept and street vendors in the summer months in open areas of the City. Places to consider are the surrounding lake walks, the municipal parking lot, the Miner's Memorial area or voluntary business space.

The master plan for the ATV trail system is near completion. The City of Virginia, in partnership with RGGGS Minerals entered into a lease agreement that paves the way for an inner-connect for ATV access through Virginia. The City Ordinance will authorize ATV traffic to travel to and from a designated trail and provide alley access to Chestnut Street businesses.

The City recently applied for a Transportation Alternative Grant or "Safe Routes To School Grant". If successful, this grant will provide funding for roadway repair, signage, and safety measures on streets surrounding the Virginia High School. Engineering staff are currently inspecting and planning the work in the event that the grant is awarded in 2018.

The golf course restaurant closed on December 16, 2017. After years of deficits the City is changing from a restaurant management agreement to a vendor lease. After a series of legal advertisements we received seven prospective vendors. Each interested party will have the opportunity to tour the facility and each will be required to submit an operations plan. The lease, in part, will require a monthly payment to the City. Revenues and expenses are the responsibility of the selected vendor. The successful party will be required to partner with the golf course manager during the golfing season. In addition, the restaurant will be responsible for the liquor license and service at both the bar and on the course and the employment of all employees. On January 30th, City staff and the City Council will interview each applicant. We expect to make a selection and have the new restaurant fully open for business no later than April 1, 2018.

Here is a list of development projects that have contributed to an increase in commerce and the local economy over the past five years. Thank you to each of these businesses/groups for choosing to locate or stay in Virginia.

1. Spectrum Health
2. Menards
3. Sundell Eye Clinic
4. Northwoods Surgery Center
5. Kunnari's
6. Virginia Coop Credit Union
7. Virginia Family Dental
8. Mesabi Dental Service
9. Local Labor Hall
10. Carpenters' Hall
11. Natural Harvest Food Coop
12. Waschke Family Chrysler & Jeep
13. Twistars Gymnastics
14. Dollar General
15. Ulland Brothers Constructors
16. St. Louis County Garage
17. Tractor Supply Company

18. Caribou Coffee/Einstein Bagel
19. Hardee's
20. Joy Global
21. WWTP upgrades
22. New Counseling Center (old North Star Drug)
23. Lyric Center for the Arts

Upcoming developments include, but are not limited to;

1. St. Louis County Government Services Center
2. Drake Hall Renovation (Former Masonic Lodge)
3. Hometown Focus building – New Owners of Financial Service Center
4. 4th Street Project (SBB Development Co.)
5. Ten small business grants in 2016 through VEDA
6. 118 Chestnut Street building renovation
7. Rockstep Development – Thunderbird Mall new ventures

In closing I wish to implore all of you to seriously consider supporting the City of Virginia's efforts to pass legislation in 2018 that will give authority to any municipality in the State of Minnesota to levy a sales tax in their respective communities. In order to impose a local sales tax, a political subdivision must obtain enactment of a special law authorizing it to do so by taking the following steps:

1. The governing body of a political subdivision must pass a resolution proposing the tax stating (at least) the:
 - a. Proposed tax rate
 - b. Amount of revenue to be raised and its intended uses and,
 - c. Anticipated date that the tax will expire
2. The proposed tax, then, must be submitted to and passed by the majority of the voters at a general election held at least 90 days after the resolution was passed. The political subdivision may not expend money to advertise or promote the tax.
3. The political subdivision must request and get enacted a special law authorizing the imposition of the tax.

4. The political subdivision must file local approval with the secretary of state before the start of the next regular legislative session after the session in which the enabling law is enacted.
5. The political subdivision must pass an ordinance imposing the tax and notify the Commissioner of Revenue at least 90 days before the first day of the calendar quarter on which the tax is to be imposed.

Current law only allows cities of the first class (Minneapolis, St. Paul, Duluth and Rochester) to levy a local sales tax and use the revenues to fund certain large capital projects without additional voter approval.

In the 2018 legislative session, the City of Virginia will stand with other cities to amend H.F. 2663. This legislation, as it was authored last year, would have allowed all cities to impose a local sales tax provided that they meet the above criteria, namely a city cannot levy a sales tax without referendum approval.

The City Council and staff have been working diligently to improve the services that we provide to you. Local grassroots groups, 501c3 organizations, and individual citizens are stepping forward in partnership to enhance a livable and sustainable Virginia. The City is extremely appreciative of all these groups and their efforts to help Virginia grow and prosper.

Thank you to the citizen, business owners, and Virginia School District #706 for your input and support this year. Let's continue to work together in 2018 to make Virginia a better place to live and work.