PRESS RELEASE
For Immediate Release
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Kasson, Minnesota, June 26, 2010, Kasson Alliance Responds to Cities' Proposal for Historic School

On June 9, 2010 the City of Kasson passed a resolution and proposal that offered the Kasson Alliance for Restoration (KARE) a partnership in the reuse, rehabilitation and maintenance of the historic 1918 Kasson Public School. KARE responded to the resolution/proposal on June 21. Both the cities' proposal and KARE's response are attached to this press release (and included below in this Press Release). Numerous KARE members attended the City Council meeting on June 22 during which each council member received a copy of KARE's letter for their review. Mayor Tjosaas thanked KARE for the letter response. The following is a summary of KARE's response to the City of Kasson's 09 June proposal:

1. 1. The October 2008 Historic Properties Reuse Study Report lists the implementation steps, financial resources, reuse options and other useful information that can be utilized by the City and the Task Force to investigate, develop and adopt a reuse plan.

2. 2. The Reuse Study Report provides proposed reuse input from Kasson's citizens thru the June 2009 Community Workshop and interview process. (See http://kassonschoolreuse.net/).

3. 3. The City's 1918 School Citizen Task Force April 2010 survey provides additional input on the reuse vision from Kasson's citizens to include 58% of the respondents favoring the renovation of the school.

4. 4. The citizens of Kasson and their elected officials must adopt a reuse plan before funding and potential financial partnerships can be pursued.

5. 5. Following the adoption of a reuse plan, KARE and its many members and supporting business partners stand ready to assist with the process within the confines of their stated missions.

The City and KARE already have an existing partnership agreement that was signed in August 2008. That partnership resulted in the cost-shared Historic Properties Reuse Study for the historic school that the council and city staff advertised, awarded, commissioned and reviewed. The City accepted and approved the final report in October 2009 (see http://kassonschoolreuse.net/). The Reuse Study Report provides the City and the citizens of Kasson the information needed to adopt a reuse plan for the

school. Key components of the report include: a reuse recommendation, reuse implementation steps, structural/needs/issue assessment, numerous reuse options and a wide variety of available funding sources. As recommended in the report, the City appointed an eight (8) member Citizens Task Force in December 2009 to oversee the plan formulation and implementation of the Reuse Study Report's findings. A five (5) year planning window was recommended. In April 2010 the Task Force surveyed the citizens of Kasson thru multiple sources (utility bills, web, newspaper etc.). 58% of the citizen respondents favored rehabilitating/reusing the school. Also in April, KARE published a one-page public service announcement in the Dodge County Independent newspaper detailing the available funding options listed in Appendix C of the Reuse Report.

The placement of the 1918 Kasson School on the National Register of Historic Places in December 2007 by the National Park Service was a proud moment for all of Kasson's citizens. The inclusion of the school in the revitalization of Kasson's Main Street core is a key component of the long-term success of this City objective/project. The National Register listing makes the historic building's adaptive reuse costs eligible for state and federal tax incentives as well as other funding sources.

Designed by architect Nels Jacobson Jr. of Owatonna, MN, the school won praise soon after it was completed. In May 1919, Mr. S. A. Challman, inspector of school buildings, stated: "there is nothing equal to it in the state in the way of completeness and architectural design." He noted that the school was the first of its type to be built in Minnesota with three separate building units connected with corridors. In the years since, the school continued to serve, educate and inspire many generations of the school district's citizens. It remains a major part of the area's historic heritage and the pride of its citizens.

Other Info:

16 June 2010 Dodge County Independent Newspaper Story RE: Cities' Proposal:
http://www.dcinews.com/Local%20News/cityofkassonoffe.html

October 2008 Historic Properties Reuse Study Report, 1918 Kasson School:
http://kassonschoolreuse.net/

Mission: KARE is a 501(c) (3) nonprofit organization formed in January 2007. KARE's mission is to preserve historic buildings, structures and properties to serve as landmarks of Kasson's' heritage, along with being a source of education in the importance of historic preservation.

KARE is a non-profit membership organization bringing people together to protect, enhance and enjoy the places in Kasson that matter to them. By saving the places where great moments from the cities' history – and the important moments of everyday life – took place, **KARE** helps revitalize the community, spark economic development and promote environmental sustainability. The **Kasson Alliance** provides leadership, education, advocacy and resources to citizens and organizations committed to saving historic places,

connecting them to Kasson's history and collectively shaping the future of the communities' stories.

Note: The media is welcome to use all or portions of this announcement.

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June 9th, 2010
To: Council & Staff From:
Mayor Tjosaas

RE: Old Kasson Public School Proposal

Since the referendum vote in November 2006 we have spent a significant amount of time regarding the re-use of the Old School Building or the new use of the School site. In light of our conversations, the settlement agreement, the Lauber Re-use study and then finally the Citizen's Task Force report (and the survey comments) I have tried to formulate an appropriate proposal to finally bring this whole process to a final conclusion.

Although we all may have our own biases in regards to the school and some of the processes used up to this point we need a concrete and final proposal to bring this process to a close. In light of that I propose that the City of Kasson:

1) Offer a 49% (KARE) 51% (City) partnership with KARE in ownership of the Kasson Public School building. In review of the Lauber Re-use study a Public/Private partnership seemed to me to be the highly recommended way to proceed in order to potentially take advantage of the majority of tax incentives and other renovation programs.
2) For the 49% share KARE will provide $3.9 million. We have consistently heard from KARE and related parties that at least one if not multiple investors are interested in the building, that numerous grant and incentive programs are available and that many individuals are willing to donate funds to re-use this structure. This $3.9 million share can come from any of these sources.

3) For the 51% City share we will offer another referendum for $3.9 million in November 2011. This is the same amount requested in 2006 and I feel strongly that we cannot ask the citizens for more money in a second referendum. This is three months past our settlement agreement but will allow for a full year of financial investigation for KARE. Furthermore, we will only move forward with a re-use of the building if the referendum is approved. The combined $7.8 million will be the "cap" on any renovation costs. If the referendum fails, we will move forward with planning a new Library facility on that site.

4) KARE will have until August 1, 2011 to provide a "letter of credit" from a federally insured financial institution for their $3.9 million share. This will then allow us enough time to work with the State on the referendum ballot language and for properly noticing the election.

5) The plans for the re-use of the building will work off of, but not be tied to, the Lauber concept drawings presented with the additions in order to hopefully fully maximize the

building and allow for the most potential. However the City will work with KARE and/or other developers who might have other creative ideas for this building. It must be noted, however, the City has designated this site as the site for a new Library facility. Whatever re-use plan may be conceived will need to include significant space for a Library.

6) If KARE can provide the letter of credit for $3.9 million and the referendum passes for the City's $3.9 million the two parties will then enter into a legal partnership agreement. The partnership will not only encompass the ownership structure and potential renovation but also ongoing maintenance needs. It is expected that the two parties will split, in the same partnership percentages, any maintenance and/or repairs over and above typical day to day maintenance and repair needs.

This would be the "final" proposal and is not negotiable. Almost four years have now passed so it is assumed that KARE has the framework in place to act quickly on their side of this financial proposal. Ultimately this puts into place what I consider to be the fairest proposal we can offer that also protects our City and our citizen's interests.
Finally, we will expect a written response from KARE before our next scheduled meeting either agreeing to or rejecting this proposal. If rejected, I would then propose that we find that no new re-use has been found as the main items noted in both the Lauber Study and our own Citizen's Task Force have centered on the "governmental uses" we have already sourced. With that, we would then be subject to the terms in the settlement agreement and KARE would have until August 2011 to provide a viable financing plan for the full renovation and re-use of the building,-
I recommend that the council approve the above plan in full.

CITY OF KASSON RESOLUTION #6._-10

RESOLUTION APPROVING A PUBLIC-PRIVATE PARTNERSHIP AGREEMENT WITH Kasson Alliance for Restoration (KARE)

WHEREAS, the City of Kasson is the owner of property known as the Old School located at 101 3rd Ave. NW in the City of Kasson, MN; and,
WHEREAS, KARE, Kasson Alliance for Restoration, is a local non-profit group interested in saving the Old School from demolition and filed suit against the City of Kasson to prevent demolition; and,
WHEREAS, District Court Judge Casey Christian, pursuant to civil action against the City of Kasson under Court File Number 20-CV-07-516, enjoined the City of Kasson from immediate demolition of the Old School in order to provide KARE with time to seek financing to save the structure; and,
WHEREAS, KARE has expressed interest to the City of Kasson that those who desire to save the structure from demolition should create a public/private partnership that provides financing for the renovation of the structure; and,

WHEREAS, there has been no discernible progress by KARE in the past four years to provide financing to care for or renovate the Old School, no public/private partnership has been created, and no business plan has been submitted for the modern day use of the structure.
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Kasson that:

1) The City hereby enters into an agreement with KARE and/or any other individuals or partnerships interested in renovation of the School to create a private/public partnership to finance the renovation of the Old School.
2) The partnership shall require that KARE, et. al, shall fund a $3.9 million portion of the renovation.
3) Provided that KARE, et al, raises $3.9 million in cash and pledges, the City Council shall put the question to the voters to raise an additional $3.9 million in property tax revenue to provide financing to renovate the Old School.

Adopted by the Kasson City Council this 9th day of June, 2010. **ATTEST:**
Randy D. Lenth, City Administrator Tim Tjosaas, Mayor

The motion for the adoption of the foregoing resolution was made by Council Member____ and duly seconded by Council Member_____ . Upon a vote being taken, the following members voted in favor thereof: _____ . Those against same: _____

Voted and passed by council

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June 21, 2010

Tim Tjosaas
City of Kasson
401 5th St. SE
Kasson, MN 55944

Dear Mr. Tjosaas

Thank you for giving the Kasson Alliance for REstoration (KARE) the opportunity to address the resolution and proposal for a public-private partnership agreement that was presented and approved at the meeting of the city council on June 9, 2010. Per your request, the following is KARE's response to said resolution related to the historic 1918 Kasson School.

Thank you for commissioning, advertising, reviewing and approving the October 2008 Historic Properties Reuse Study Report. This report completed by John Lauber and Company was intended to, and did in fact explore and identify, a number of viable and sustainable options for reuse that will preserve the historical integrity of the historic 1918 Kasson School. The Reuse Study Report recommended that a Citizen Task Force should be organized to execute the report's reuse recommendations and implementation steps and educate the public about the potential for rehabilitating the historic school. The report's reuse implementation steps are attached as **Enclosure No. 1** and listed on pages 4 and 38 of the Reuse Study Report. The entire report can be viewed at the Reuse Study Website commissioned by the City at:

http://kassonschoolreuse.net/ to include the results of the June 10-12, 2009 Reuse Study Community Workshops (which provided reuse input).

Thank you for appointing the Task Force and supporting their extensive April 2010 survey of Kasson's residents which documented that 58% of citizens request that the City actively pursue the renovation and reuse of the historic 1918 Kasson School. With the survey now complete, the citizens, community leaders and business leaders of Kasson request that the City's next step must be to adopt a plan for the reuse of the historic school. The plan should reflect our community's values, undertake a systematic and inclusive planning effort and develop a comprehensive architectural program for such reuse; all under the leadership of the Task Force and in consultation with appropriate professionals and community leaders.

It is KARE's position that the report's recommendations and implementation steps belong not to KARE but rather to the citizens of Kasson who own the school. Regardless of whether the project is completed as a public effort or as a public-private collaboration, it is the citizens of Kasson in concert with the Task Force who should ultimately decide upon the plan for reuse with the Reuse Study Report as a guide.

We understand that the City has designated the site of the historic school for a new library facility. Developers with whom KARE has discussed the project are aware that a library is a desired part of a reuse. These developers and KARE all support the inclusion of a library in the reuse plan and are anxiously awaiting such a reuse plan to be adopted by the City and its citizens. In fact, in light of a review of the Library Board's minutes, KARE is willing to act as a liaison between the City Council and the Library Board to assist in any way possible with the eventual adoption of such a reuse plan that includes the library.

However, until the City has adopted a reuse plan, local interests and stakeholders are unable to even consider a financial partnership as contemplated in the above-referenced resolution. **Enclosure No. 2** contains a summary of the reuse options and potential costs from Appendix C in the Reuse Study. Similarly, it is highly unlikely that any financial partnership agreement can be reached with investors and/or developers until such a plan is adopted. Again, KARE will facilitate the adoption of a reuse plan in any way possible, and once such a plan is adopted, KARE will provide information to the City in regards to investors, grants and other incentives to implement the intended reuse.

The City's stated planning objectives include the revitalization of Kasson's Main Street. The Historic 1918 Kasson School is a key component of Kasson's identity, history and Main Street complex. The placement of the school on the National Register of Historic Places in December 2007 by the National Park Service was a proud moment for all of Kasson's citizens. Your inclusion of the school in the revitalization of Kasson's core is a key component of the long-term success of this City objective/project.

In summary:

1 The October 2008 Historic Properties Reuse Study Report lists the implementation steps, financial resources, reuse options and other useful information that can be utilized by the City and the Task Force to investigate, develop and adopt a reuse plan.
2. The Reuse Study Report provides proposed reuse input from Kasson's citizens thru the Community Workshop and interview process. http://kassonschoolreuse.net/
3. The City's 1918 School Task Force's survey provides additional input on the reuse vision from your citizens to include 58% of the respondents favoring the renovation of the school.
4. The citizens of Kasson and their elected officials must adopt a reuse plan before funding and potential financial partnerships can be pursued.
5. KARE and its many members and supporting business partners stand ready to assist with the process within the confines of our stated missions.

In the meantime, please do not hesitate to contact us if we can be of any further assistance in the adoption a reuse plan for the historic 1918 Kasson School.

Sincerely,

Kasson Alliance for Restoration

cc Mark Anfinson, Attorney at Law
Bonnie McDonald, Executive Director Preservation Alliance of Minnesota
Susan Roth, Minnesota Historical Society
Ben Leitschuh, National Trust Preservation Funds
Daniel J. Hoisington
DCI

Enclosure No. 1
[From Page 4 and 5 of the October 2009 Historic Properties Reuse Study for the 1918 Kasson Public School.] (See http://kassonschoolreuse.net/)

1. Mothball the building. The city of Kasson should take immediate steps to halt further deterioration of the 1918 building by mothballing the building as outlined later in the report.

2. Appoint a citizen task force to oversee a systematic planning effort for rehabilitating the former Kasson Public School as a multi-use library/community center. Because the school building and site are city-owned property, the task force should be comprised entirely of individuals residing and voting in the city of Kasson. The task force should have the authority to direct and draw upon the expertise of appropriate city staff and outside experts. The task force should be provided with a sufficient budget to complete its work.

3. Undertake a systematic, thorough, and inclusive planning effort for the project. Under the leadership of the local task force, and in consultation with appropriate outside professionals the community should develop a comprehensive architectural program for a multi-use library/community center. The planning process should be designed specifically to include representatives from the library board, the city council, and other individuals and groups with a direct stake in the planning process.

4. Examine the potential for both a phased and total rehabilitation of the school building. As noted earlier, a phased rehabilitation would offer the potential advantage of allowing the community to meet its objectives of improving its public library facilities and creating a community center in a shorter period of time and at lower cost than either a full rehabilitation of the school building, or construction of an entirely new facility.

5. Investigate ways to complete the rehabilitation either as a publicly financed project or as a public-private development partnership. The task force, with the help of city staff and outside experts should fully investigate the range of incentives, grants, and other financial instruments that could be employed to reduce the cost of completing a rehabilitation of the school building.

6. Assemble a package of local incentives that could be offered to a private developer. Working with the city council, the Kasson EDA, Dodge County, and other staff and officials, the task force should assemble a package of incentives that could be offered to a private developer as part of a public-private development plan. A public/private option could move the project timetable ahead, would allow the city to retain control of the site, and could enable the community to complete the project at a lower cost than it could with public financing. The task force should also reopen discussion of forging a joint-powers agreement with surrounding communities to complete a community center project.

7. Market the building to potential development partners. Once the planning is in

place, and a package of incentives has been assembled, the community can determine whether or not it makes sense to pursue the option of completing the rehabilitation as part of a public/private collaboration. If so, the task force should actively market the project to developers.

8. Allow time for investigation. At this point, efforts to create a community center appear to be at a standstill. City officials have indicated that, given current economic conditions and competing capital improvement priorities, completion of any sort of new library facility is at least five years away. With that horizon in mind, the task force should be give ample time to complete its work in a thorough, systematic, and transparent way without fear that the building will be demolished in the interim.

9. Engage and educate the public about the potential for rehabilitating the school for a new public purpose. The task force should make a concerted effort to provide information about the potential services that could be provided in a rehabilitated school building. The group should provide information about the actual physical condition of the building and how problems would be solved. The task force should outline and publicize steps and a timeline for the project. The group should clearly define the amount of taxation, if any, that a property owner would incur if the project were to move forward.

10. Allow the public to weigh in. Regardless of whether the project is completed as a public effort or as a public-private collaboration, the citizens of Kasson should be given an opportunity to participate in the planning process, should be given accurate and plentiful information about facilities, financing, and timing, and then should be given an opportunity to decide how to proceed.

To see the rest of the report got to: http://kassonschoolreuse.net/ or http://www.kassonalliance.org/kassonschool_reuse-study.htm

Enclosure No. 2

1918 Kasson Public School Proposed Reuse Options
Source: October 2008 Historic Properties Reuse Study Report, Appendix C
Also See Appendix B in the Reuse Study Report

	Option 1 Public Use: Community Ctr and Library	Option 2 Public/Private Development: Community Ctr and Library	Option 3 Private Development: Multi-Family, Market Rate Apts	Option 4 Private Development: Multi-Family, Senior Housing/Artists	Option 5 Private Development: Multi-Family, Condominiums	Allman and Associates Apartments Reuse Option
Report Page No.	**Pages 91 and 93**	**Pages 91 and 97**	**Pages 92 and 101**	**Pages 92 and 105**	**Page 92**	**Page 109**
Funding Needed From a Referendum and/or Development Partners	**$6,000,000 Municipal Bond Financing**	**$3,266,785 First Mortgage**	**See Page 92 and 101 of the October 2009 Reuse Study for Details on this option**	**$1,265,626 First Mortgage**	**See Page 92 of the October 2009 Reuse Study for Details on this option**	
Bonds						**$1,452,000**

						County Conduit Bond, 60% L/V
Home Funds (HUD)				$301,339		
Second Mortgage City/City Development Block Grant (CDBG)		$500,00				
Save America's Treasures Grant		$250,000		$250,000		
City of Kasson Demolition Funds	$250,000	$250,000		$250,000		
Tax Credit		$1,627,915 (New Market)		$5,019,772 (9% Housing Credit)		
Tax Increment Financing						
Historic Tax Credit		$1,085,277		$1,115,505		$400,000
Library Capital Campaign	$1,004,525	$1,000,000				
Fund Raising/ Owner Equity						$568,000
Total Funds	$7,254,525	$7,979,977		$8,202,242		$2,420,000
Funding Needed From a Referendum and/or Development Partners	**$6,000,000 Municipal Bond Financing**	**$3,266,785 First Mortgage**	**See Page 92 and 101 of the October 2009 Reuse Study for Details on this option**	**$1,265,626 First Mortgage**		

See Appendix C of the Reuse Study Report for a list of numerous available funding sources to include: State Grants in Aid, Minnesota Legacy Grants, Small City Development Grants, Library Development Grants, Minnesota Joint Funding of Library Projects, Federal Tax Credits (also MN Tax Credits), New Market Tax Credits, EDA Grants, Save America's Treasures, Philanthropic Resources etc.

END