

UNAPPROVED

CITY OF BLAINE
ANOKA COUNTY, MINNESOTA
CITY COUNCIL WORKSHOP
Thursday, April 12, 2018

6:30 p.m.
Cloverleaf Farm Room
10801 Town Square Drive

CALL TO ORDER

The meeting was called to order by Mayor Ryan at 6:30 p.m.

ROLL CALL

PRESENT: Mayor Tom Ryan, Councilmembers Dave Clark, Andy Garvais, Wes Hovland, Julie Jeppson, and Dick Swanson.

ABSENT: Councilmember Jason King.

Quorum Present.

ALSO PRESENT: City Manager Clark Arneson; Police Chief/Safety Services Manager Brian Podany; Finance Director Joe Huss; Economic Development Coordinator Erik Thorvig; Public Services Manager/Assistant City Manager Bob Therres; City Attorney Patrick Sweeney; Communications Technician Roark Haver; and Administration Technician Lisa Derr.

3.1 Private Recreation/Basketball Facility Update.

Economic Development Coordinator Thorvig stated at the July 20, 2017 workshop a presentation was made by a private group (to be created as a non-profit entity) interested in building a recreation facility in Blaine to serve youth athletics. They are calling the facility the Blaine Athletic Complex (BAC). In general, the facility would be used for basketball, volleyball, soccer, and baseball. The group completed a site search and have determined their preferred site is the vacant, 5.66-acre parcel next to City Hall on Town Square Drive. At the July 20th meeting the City Council gave direction to the group to analyze the project further and return with a more defined plan. Over the last eight months staff has been working with the group to identify the various components of the project. The four main components are Programming and Operations, Financing of the Project, Physical Building, and City Involvement. He explained the non-profit was requesting City issued conduit debt for the project and was seeking a ground lease for the property. He reported the National Sports Center would be adding two hard courts that would cater to basketball and volleyball but may be considering a larger basketball project. Mr. Thorvig reported the group that has done research on these various components was present to provide the City Council with further information on the proposed athletic complex.

Jim Buffo thanked the Council for their time and thanked staff for their assistance and advice while working through this project. He commented not much has changed since the last meeting except for the fact he has been gathering community support. He explained he was proposing to build a 90,000 square foot space. He discussed how the space would be used and noted he has held meetings with the Sports Center. At this time,

he believed the City land was the best opportunity and explained this facility would be an asset for the community.

Chad Johnson reviewed the updated numbers for the project and noted all estimates have been conservative. The revenues and expenses for the first five years were discussed.

Mr. Buffo reported he received a \$1 million commitment from Twin Cities Orthopedics (TCO), noting this group wants to be the primary service provider for this facility and was also interested in leasing space. He commented on how the naming rights for the building would be addressed. He explained Minnesota Select Volleyball, the Blaine Soccer Club, Blaine Youth Basketball, North Metro Heat Basketball, and Blaine Youth Baseball were all interested in using this space.

Councilmember Clark requested further information on the building design. Mr. Johnson commented on the building design and how the second floor of the facility would function. He noted the second floor would be mostly utilized by parents for viewing. It was noted an elevated track was being considered for walking.

Councilmember Clark questioned if the facility would have a storage room. Mr. Johnson indicated this has not been considered yet but understood a storage area would be needed for volleyball nets, soccer goals, etc.

Councilmember Clark asked how robust the plan was and what the tipping point was for the facility. Mr. Buffo commented the key would be to have a partnership with TCO, the Blaine Soccer Club and Subway. He indicated these partnerships would create income on a monthly basis regardless of other rentals.

Councilmember Hovland inquired if this group had considered partnering with the NSC. Mr. Buffo stated he has held conversations with the NSC and they understood the value of having the NSC as a partner. He reported there were talks of building this facility on their land; however, TCO would have a conflict with this. He indicated the NSC was envisioning a completely different mega-complex with swimming included. He stated the proposed facility at \$9 million could work with the based on the partners already on board. He commented that control of the space was a concern. He explained the proposed facility was being created to serve youth in Blaine. He stated there was fear that if the NSC built this facility space would be rented out to other communities prior to meeting the needs of Blaine.

Mayor Ryan indicated the NSC has not ever been interested in basketball, until recently. City Manager Arneson agreed stating the NSC has taken an interest in court sports. He noted the NSC has ordered an indoor basketball court that could be used during the AAU season.

Councilmember Hovland asked if the group had considered altering its vision for the space if there was more need for basketball/volleyball courts versus turf fields. Mr. Buffo stated they would adjust the space to meet the needs of the community.

Councilmember Hovland questioned if the facility had adequate parking. Mr. Buffo reviewed the number of parking spaces available and noted overflow parking could spill into the City Hall parking lot.

Councilmember Swanson inquired if pickle ball courts had been considered. Mr. Buffo stated this could be considered for programming, especially during the day.

Councilmember Jeppson commented if this group had considered locating in an empty big box within the City. Mr. Johnson stated he had visited the Best Buy and Gander Mountain buildings. He noted these buildings did not have the proper height, had pillars in the improper places and did not have enough space.

Mayor Ryan commented the basketball community in Blaine was underserved and has been for years. Mr. Buffo indicated the great thing about Blaine was that it was still growing and the number of kids in sports would only continue to rise.

Councilmember Garvais recommended the second-floor space for user friendly for families. He stated he was nervous about the NSC and how a future facility on their land could impact this facility.

Councilmember Clark questioned what this group was asking of the City. Mr. Buffo commented he wanted to know what else had to be done in order to get this project started. He stated he believed he has proven the community was interested in this type of facility and that the necessary partnerships were in place.

Councilmember Clark indicated this organization had to judge the market and how they may be impacted by the NSC in the future.

Councilmember Garvais commented on how the City may be impacted if this organization were to fail given the fact they were proposing to build their facility on City land.

Councilmember Swanson explained at this time the non-profit organization was requesting to lease the land for \$1 per year and was requesting conduit bonds to finance the project. Mr. Johnson stated this was correct. In addition, the group was asking the City to waive the permit and inspection fees. Mr. Thorvig estimated the permit and inspection fees would be \$175,000.

Councilmember Swanson stated he supported what the group was trying to do, but was just nervous about how the NSC may impact the athletic facility in the future. However, he understood this facility should not be held up just because of the NSC. He stated he would like verification from a third party that the numbers are what they are. Mr. Johnson explained he did not believe third-party verification would be possible for liability purposes. However, he noted he had a professional athlete that would be reviewing the numbers.

Finance Director Huss commented on the review process that would have to be completed in order for the conduit debt to be approved and issued.

Councilmember Swanson questioned if the proposed elevated walking track could be used by TCO customers. Mr. Johnson commented this was still being discussed.

Councilmember Clark stated he supported the \$1 ground lease, the use of conduit bonds and noted he could support waiving the permit and inspection fees as well. He explained he would like more information on how the City would respond if this facility were to fail. He indicated he wanted the City to have a backup plan in place.

Councilmember Jeppson asked where the City was on the pool project. Public Services Manager/Assistant City Manager Therres indicated this organization has been working with the NSC.

Councilmember Hovland questioned how long the ground lease would be.

Councilmember Clark stated this lease would have to be long-term and at least match the length of the facilities mortgage.

Councilmember Garvais stated he would like more information on the project, better plans for the second story of the facility, to have the numbers evaluated by a third party, and to better understand the demand for the space.

Councilmember Hovland asked if the non-profit had maintenance and upkeep written into their plans. Mr. Johnson stated maintenance was written into their plan.

Mayor Ryan stated he was mostly concerned with the finances for this use noting he wanted to see this facility thrive on behalf of the community.

Councilmember Clark stated he believed the consensus of the Council was to support the project but not serve as a partner. He reported this athletic facility would be a private sector operation. He indicated he liked this concept better than the pool project given the fact it would serve a larger population in the community.

Mayor Ryan asked if a board would be set up to manage the facility. Mr. Buffo stated a board would be established to manage the facility.

Council consensus was to direct the non-profit to report back to the Council with further financial information and more detailed plans for the second floor.

3.2 Proposed Senior Center Facility Use Policy.

Mr. Therres stated at the March 15th workshop meeting, the City Council discussed the use of Capital Improvement Fund (CIF) funds for the financing of a new Senior Center. One of the criteria discussed was that in order to use CIF funds the new facility would need to be available to use by the public when not being used by the Senior Center. Staff reviewed a draft Senior Center Facility Use Policy with the Council. It was noted the draft is based on our existing facility policy in place for City Hall and in discussion with other communities on the use of their senior centers. One item that is different in this proposed policy is that staff is proposing to charge a rental fee for the use of the rooms, something we currently do not do for City Hall.

Councilmember Hovland asked why staff was proposing to charge a fee and asked where these funds would go. Mr. Therres explained the money would go into the General Fund. He reported the thought behind charging a fee was to assist in covering the wear and tear on the building.

Councilmember Hovland questioned if a fee for the senior center would lead to charging fees for the use of space at City Hall. Mr. Therres commented this could be discussed by the Council.

Mayor Ryan stated the rate for the Senior Center would have to be fair otherwise people would elect to move their meetings to City Hall.

Councilmember Hovland indicated he did not support the City charging for use of the Senior Center space.

Mayor Ryan suggested the City take a chance the first year and see how things go. After that time, the Council could further evaluate potential rental rates.

Further discussion ensued regarding the regularly scheduled programming that would occur at the Senior Center.

Councilmember Garvais asked if the kitchen could be used by outside groups. Mr. Therres reported in order to use the commercial kitchen a group would have to have a caterer's license.

Councilmember Garvais stated he would like to see this Statute or better understand this requirement.

Mayor Ryan anticipated there would be problems if the kitchen area were used by outside groups without having the proper training and licensing in place.

Councilmember Garvais explained he wanted the Senior Center facility to be used by outside groups, whether for meetings, a family reunion, or for a spaghetti dinner fundraiser. Mr. Arneson understood this was a concern and stated another option would be to install a second kitchen that was smaller with a stove, microwave, oven, and sink noting this space could be used in the evening hours.

Councilmember Clark stated he objected to outside groups using the commercial kitchen as this may compete with other local businesses. He indicated he did not want to see the Senior Center space used for wedding receptions or other large events.

Councilmember Garvais commented the Council could limit the use of the space from these types of functions.

Councilmember Clark questioned how the City could draw that line.

Councilmember Hovland suggested local non-profit groups, such as the historical society or local scouts not be charged to meet in the Senior Center. He feared that if fees were charged for meeting space, groups would not be interested in this space. He recommended the Council hold further discussions regarding the fees and the use of the kitchen.

Councilmember Swanson stated the Senior Center did not have a staffing model that would allow for outside groups and asked how the space would be set up and adequately maintained. He indicated the proposed fees would assist with hiring additional maintenance staff.

Mayor Ryan commented he would like to bring the Senior Board in to speak on this matter.

Councilmember Clark supported this recommendation. He stated in order for this item to move forward there would have to be some compromises.

Mayor Ryan encouraged Councilmember Garvais and Councilmember Jeppson to visit the Senior Center. He indicated if the Council was going to open the kitchen up for full public use, he anticipated the Senior Board may just want their current facility updated and for programming to remain the same.

Councilmember Clark stated this was not an all or nothing type of deal. He explained that if groups were to use the Senior Center in the evening hours, the Senior Center programs would not be affected.

Mayor Ryan anticipated that if the kitchen area were opened up, this could harm the senior programming.

Councilmember Clark stated if the seniors believe they will have full ownership of the kitchen this may be wrong.

Mayor Ryan reported the seniors have owned the kitchen at the Senior Center for the past 34 years.

Councilmember Clark commented this is the way it was but may not be the same way going forward. He suggested staff further investigate how the space could be used with respect to political meetings, weddings, etc. Mr. Arneson stated he would investigate this further and would report back to the City Council.

Councilmember Hovland commented he hated to see this project held up over the kitchen, but understood this matter required additional discussion.

Councilmember Swanson suggested the Council consider adding several additional meeting rooms noting it would be cheaper to do now, than in the future.

Council consensus was to direct staff to investigate what the rules were for preparing and serving food out of a commercial kitchen.

3.3 Draft Discussion – Debt Management, TIF/Abatement Policies.

Finance Director Huss stated in the latter part of 2017, staff identified initiatives that would not only solidify the City's current AA+ credit rating (Standard & Poor's), but also potentially lead to an enhanced AAA rating. Included in the initiatives was the updating and formal adoption of a debt management policy. To be effective, a policy should allow flexibility to achieve its intended purpose under most conditions or circumstances. At the same time, the policy should be written such that it provides clear direction and removes ambiguity in its intentions. Staff reviewed a draft Debt Management Policy as well as a draft Tax Increment Financing (TIF) and Tax Abatement policy for Council's review and discussion.

Councilmember Hovland asked if the debt policy could be altered in the future. Mr. Huss stated this could occur.

Councilmember Garvais questioned if the language within the policy was strong enough to assist the Council with raising its bond rating. Mr. Huss believed the language was strong enough, while still offering the City the right amount of flexibility.

Councilmember Clark stated he struggled with the flow of the document. He requested the life of all debt match the life of the asset. Mr. Huss reiterated this was a draft document and noted changes could be made. He commented he understood there were repetitions in the document and noted the life of assets could be clarified.

Councilmember Clark explained that for a first draft, staff was on the right track with these documents.

Further discussion ensued regarding TIF.

Mayor Ryan commented on how the use of TIF has changed over the years.

Councilmember Clark asked if the TIF policy followed State Statute. Mr. Huss reported this was the case.

The Council thanked staff for reviewing the draft plans.

3.4 Proposed Apartments at Lexington Avenue/Main Street

Mr. Arneson stated he had three Councilmembers ask to place this item on the agenda. He discussed the Legacy Apartment proposal by Newmark Homes that would be located at the intersection of Lexington Avenue and Main Street. He commented on the meetings he has had with the developer and requested feedback on how to proceed.

Councilmember Clark stated based on his conversation with Lori Higgins, Metro North Chamber, he understood Mike Kaeding wanted to be heard.

Mr. Kaeding indicated there were two issues on the table at this time. The first was whether or not the contractor manages projects properly. He suggested he have an escrow in place to cover outstanding costs and to provide an incentive for his company to finish projects as proposed. He explained another option would be to hire a consultant to work with him to resolve problems. He requested that a consultant not be required noting he had an excellent project manager in place.

Councilmember Garvais asked if the project manager would assist with the completion of Phases 2 and 3. Mr. Kaeding reported this was the case.

Mayor Ryan asked how long Mr. Kaeding has been in business. Mr. Kaeding stated his business has been in operation for the past 25 years.

Mayor Ryan questioned why Mr. Kaeding still had to complete projects in phases while other developers were not. Mr. Kaeding explained this had to do with the size of his company. He described how he was proposing to increase the number of units being completed per year. He commented further on the phased projects he has completed in Blaine and noted he has very high Google reviews.

Councilmember Garvais asked when the project in Forest Lake would begin and questioned how many units were included. Mr. Kaeding stated the project in Forest Lake would begin on May 1st and would have 84 units.

Councilmember Garvais inquired if Mr. Kaeding's business was growing. Mr. Kaeding stated he has seen a 50% growth in the number of his employees.

Councilmember Hovland asked how many apartment complexes the City needed. He suggested the City review the number of apartments, townhomes and single-family houses that it had.

Councilmember Garvais stated he supported the proposed apartment development along with the location.

Councilmember Swanson commented he supported the apartment complex as well, so long as it was well integrated into the neighborhood. He indicated he did lack faith in the company's ability to complete the proposed project.

Councilmember Clark stated the promise to put dollars in escrow was in place already. He explained he did not want to be fixing problems, but rather would like to see the contractor heading off problems. He indicated he has cut the contractor slack in the past, but at this point, he trusts staff.

Councilmember Garvais commented he has spoken to Councilmember King about this and he does not support phasing. He explained he understood the contractor had a small business but noted he was concerned with the growth of the company and if they had the ability to complete the promised projects.

Mayor Ryan understood this situation was improving, but stated he did not want to see staff having to respond to problems from this contractor.

OTHER BUSINESS

None.

The Workshop was adjourned at 9:01 p.m. to a Closed Session meeting.

Tom Ryan, Mayor

ATTEST:

Catherine Sorensen, CMC, City Clerk
Submitted by TimeSaver Off Site Secretarial, Inc.